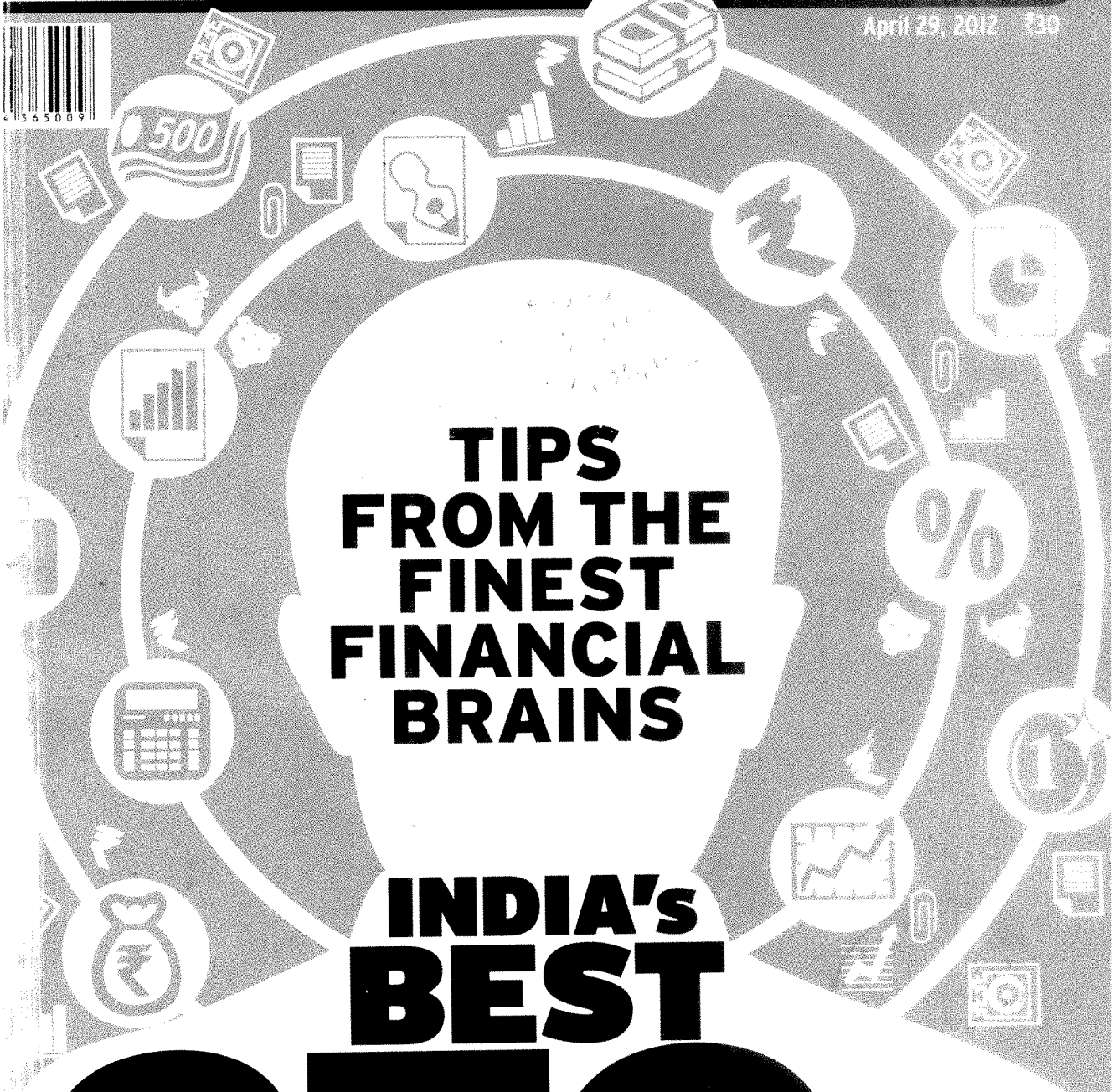
BUSINESS CONFIDENCE
RVEY: BUDGET BLUES 38

UNINOR: DANCE OF
THE DAMNED 68

HBR EXCLUSIVE:
COLLABORATIVE
LEADERSHIP
88

business today
for managing tomorrow

April 29, 2012 ₹30



TIPS FROM THE FINEST FINANCIAL BRAINS

INDIA's BEST CFOs

DE YES BANK SURVEY

Dell™ recommends Windows® 7.

The power to do more

Travel Smart.

Enjoy the enhanced power and new business features of the sleek, ultra-thin and light Vostro™ V131 laptop. Get the connectivity, security and collaboration tools to stay highly productive almost anywhere.

Vostro™ 131 comes with free traveller kit including additional 4-cell battery, external DVD RW and Synergy 2.0 backpack

- 2nd Generation Intel® Core™ i3-2350M processor
- Genuine Windows® 7 Home Basic
- 2GB DDR3 SDRAM • 500GB SATA HDD
- 1-Year Dell Prosupport™ (Next Business Day On-Site* service)

Recommended Upgrade: • Genuine Windows® 7 Professional

See what else Vostro™ V131 has to offer at **dell.co.in/V131**
or call us at **1800 425 2058/080 2510 8058#**

100% GENUINE

Windows 7

***Important Dell Details. DELL'S TERMS AND CONDITIONS:** All sales subject to Dell's terms and conditions, see http://www.dell.co.in/tnc OR provided on request. **GOODS BY DELIVERY ONLY. MISTAKES:** While all efforts are made to check pricing and other errors, inadvertent errors do occur from time to time and Dell reserves the right to decline orders arising from such errors. **MORE INFORMATION:** Go to http://www.dell.co.in/details. #Standard charges apply. **TRADEMARKS:** Microsoft and Windows are trademarks of the Microsoft group of companies. **COPYRIGHT:** © 2012 Dell Inc. All rights reserved.

SIEMENS

Small cells don't have to lead to big problems.

Siemens answers are helping doctors detect diseases earlier, saving costs and extending lives.

When diseases are caught early, they make less of an impact on everyone. That's because a large majority of today's healthcare costs go toward treating the late stages of diseases like cancer and heart conditions. With Siemens advanced diagnostic technology, doctors can accurately identify these killers earlier. So patients get the treatment they need sooner. Thus saving lives and cutting costs. With more and more Indians needing access to affordable healthcare in the future, Siemens has the answers that last.

Official Partner

INFINITE OPPORTUNITIES GERMANY + INDIA 2011–2012

siemens.com/answers

From the Editor

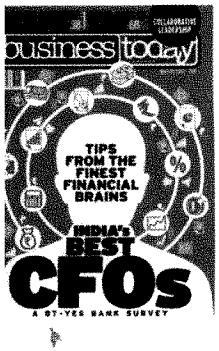
P33,144

I have a confession to make. Many moons ago, I studied to be an accountant and – despite one of the world's toughest entry barriers with single-digit pass rates in the chartered accountancy examinations – dreamt of crunching numbers while boning up on 'double-entry bookkeeping' and the mysteries of profit and loss. But the world of journalism proved more alluring, and I'm sure some accountants I know must mutter when they see me: "There but for the grace of God, go I."

Still, I can't help feeling very proud that *Business Today* is honouring India's best Chief Financial Officers for the fifth time, the third year in a row in partnership with YES Bank, and has added a new and important award for the Best Woman CFO this year. It is worth noting that the Best CFOs Awards in 2010 and 2011 were handed out by no less than India's CFO, Pranab Mukherjee.

The search for winners across 10 categories was extremely rigorous and meticulous and we assembled a stellar jury who gave no quarter (pardon the pun) in analysing financials across three years. The totemic *BT*500 listing of India's most valuable companies formed the database, and for the Woman CFO category the search was expanded to the full *BT*1000 list *(see pages 48 to 66)*.

Beyond the numbers, I've always wondered: does only red ink flow through the veins of a CFO? As our profile of this year's overall winner, Tata Motors CFO Chandrasekaran Ramakrishnan on page 52 shows, it's also music and *sambhar*. I asked Ramakrishnan, who grew up in Madurai, what gave him the greatest satisfaction, and one of the three points he listed was the 'emotional connect', the passion and excitement for the industry he is in. Not surprising considering 'CR' has been at Tata Motors for 32 years. The other two buzz points? Providing the 'blood-flow' which makes the business go – financials, funding, keeping an eye on costs and expenses; and, of course, the 'pride and personal satisfaction' of working for a business house like the Tatas with its values. Little wonder that Ramakrishnan won in two categories.



Fittingly, as happened when we published last year's Best CFOs list, this time too we coincide with the *BT Business Confidence Survey*. Conducted by the Centre for Forecasting & Research (C*fore*), the fifth quarterly survey since its launch last year showed a surprising uptick in confidence. But the outlook for the second quarter was gloomier, not least because of the Budget delivered by Mr Mukherjee in mid-March. For a good look at this important barometer, go to page 38.

Interestingly, the *Harvard Business Review* commissioned a South Asia Competitiveness Survey to coincide with its March issue which focused on American competitiveness. Key takeaways from that survey:

- 57% of respondents believe a global economic recession is either somewhat or very likely in the coming months
- Optimism about growth prospects in India and China
- Growing focus away from the domestic market in India in favour of other emerging markets. Only 32% will focus on the domestic market in 2013 vs 56% in 2012, and 55% will focus on emerging markets in 2013 vs 30% in 2012
- This is fascinating: asked about global economic leadership, 51% said the US and 43% China. But in ten years' time, the tables are seen turning, with 48% voting for India, 34% for China, and only 9% for the US.

By the way don't miss this fortnight's *HBR* exclusive on collaborative leadership starting on page 88. It was written by Herminia Ibarra and Morten Hansen, two of the authors who pioneered our Best CEOs study (February 5, 2012). And although there is much to celebrate, I must say I enjoyed reading the story of how Norway's Telenor is fighting tooth, nail and pre-paid minute for India's mobile market. Gives the term 'chattering classes' a whole new meaning.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

business today

http://www.businesstoday.in

Editor-in-Chief: Aroon Purie
Chief Executive Officer: Ashish Bagga

Editor: Chaitanya Kalbag
Managing Editor: Josey Puliyenthuruthel
Executive Editor: Suveen K. Sinha
Deputy Editors: Debashish Mukerji, K. Sai Srinivas
Special Projects Editor: Alokesh Bhattacharyya
Assistant Editor (Web): Anika Gupta

CORRESPONDENTS
Senior Editors: Anand Adhikari, Suman Layak, N. Madhavan, Shamni Pande, Sanjiv Shankaran
Associate Editors: K.R. Balasubramanyam, Kushan Mitra, Shweta Punj, E. Kumar Sharma, Anusha Subramanian, Goutam Das
Assistant Editor: Rajiv Bhuva
Special Correspondents: Anumeha Chaturvedi, G. Seetharaman, Manu Kaushik, Taslima Khan, Anilesh Mahajan, Sunny Sen, Geetanjali Shukla
Trainee Reporters: Anand J., Manasi Mithel, Dearton Thomas Hector

COPY DESK
Senior Editor: Uma Asher
Associate Editor: Allan Lasrado
Chief Copy Editor: Gadadhar Padhy
Copy Editors: Basudha Das, Roopali Joshi

PHOTO DEPARTMENT
Photo Editor: Vivan Mehra
Deputy Chief Photographers: Shekhar Ghosh, Deepak G. Pawar
Senior Photographer: Aditya Kapoor
Principal Photographer: Rachit Goswami
Photographer: Nishikant Gamre
Senior Photo Researcher: Lalit Rana

ART DEPARTMENT
Art Director: Kapil Kashyap
Deputy Art Director: Rajat Baran Chakravartty
Assistant Art Directors: Anita Jaisinghani, Anand Sinha
Senior Visualisers: Vikas Gupta, Santosh Kushwaha, N. Ravishankar Reddy

PRODUCTION DEPARTMENT
Chief of Production: Dinesh Sachdeva
Production Coordinators: Narendra Singh, Rajesh Verma
Senior Supervisor: Rajkumar Wahi
Senior DTP Designer: Mohammed Shahid

RESEARCH DEPARTMENT
Senior Research Analyst: Gautam Aggarwal
Librarian: Vijaylakshmi Vardan
Assistant Librarian: Satbir Singh

IMPACT TEAM
Senior General Managers: Sonal Pandey (West & South), Sunil R. (Bangalore), Kaustav Chatterjee (East), V. Somasundaram (Chennai), Jitendra Lad (West)

Marketing: Vipul Hoon, General Manager

Consumer Marketing Services: Poonam Sangha, Head

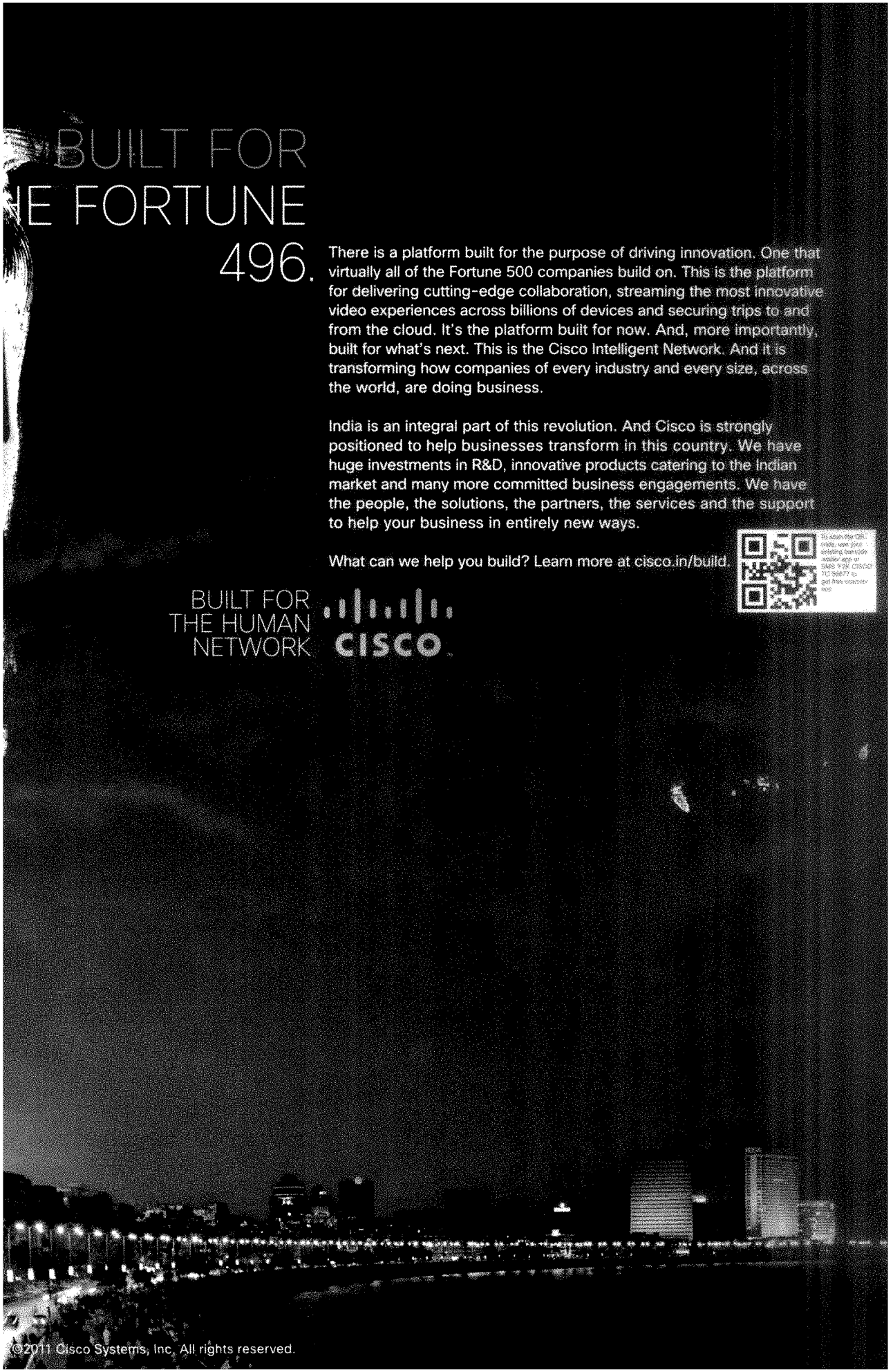
News-stand Sales: D.V.S. Rama Rao, Chief General Manager; Vinod Das, Senior General Manager (National); V.A. Chotalia, Regional Manager (East); Rajesh Menon, General Manager (West); Deepak Bhatt, General Manager (South); Rakesh Sharma, General Manager (Operations)

INDIA TODAY GROUP

Vol. 21, No. 9, for the fortnight April 16-29, 2012.
Released on April 16, 2012.

● Editorial Office (Delhi) 5th Floor, Videocon Tower, E-1, Jhandewalan Extn., Delhi-110055, Tel.: 011-23684812-15; Fax: 011-23684819, E-mail: btoday@giasdl01.vsnl.net.in ● Advertising Office (Delhi): Ground Floor, Videocon Tower, E-1, Jhandewalan Extn., Delhi-110055, Tel.: 011-43129111, Fax: 011-23593380/81; Trade Centre, 2nd Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai-400013; Tel.: 022-24983355; Fax: 022-24982266; Impact office: Trade Centre 2nd Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400013; Tel.: 022-24983355; Fax: 022-24982266; Chennai 2nd Floor, 98-A, Dr Radhakrishnan Salai, Mylapore, Chennai-600004; Tel.: 044-28478526-41; Fax: 28472178; Bangalore 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel.: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata, 52, J.L. Road, 4th floor, Kolkata-700071; Tel.: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel.: 040-23401657, 040-23400479; Ahmedabad 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off. C.G. Road, Ahmedabad-380006; Tel.: 079-6560393, 079-6560929; Fax: 079-6565293; 39/1045, Kochi Karakkatt Road, Kochi-682 016; Tel.: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no.1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecare@intoday.com
● Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301, Tel.: 0120-4019500; Fax: 0120-4019664 © 1998 Living Media India Ltd. All rights reserved througout the world. Reproduction in any manner is prohibited. Published & Printed by Ashish Bagga on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana) and at Plot No. 5-5/A, TTC Industrial Area, Thane Belapur Road, Airoli, Navi Mumbai-400 708 (Maharashtra). Published at K-9, Connaught Circus, New Delhi-110 001.
● Business Today does not take responsibility for returning unsolicited publication material.
All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only

For **reprint rights and syndication** enquiries, contact syndications@intoday.com or call +91-120-4078000
www.syndicationstoday.in

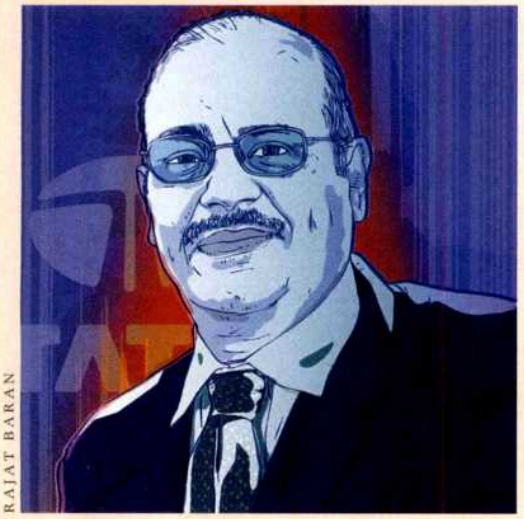

BUILT FOR
HE FORTUNE
496.
There is a platform built for the purpose of driving innovation. One that virtually all of the Fortune 500 companies build on. This is the platform for delivering cutting-edge collaboration, streaming the most innovative video experiences across billions of devices and securing trips to and from the cloud. It's the platform built for now. And, more importantly, built for what's next. This is the Cisco Intelligent Network. And it is transforming how companies of every industry and every size, across the world, are doing business.
India is an integral part of this revolution. And Cisco is strongly positioned to help businesses transform in this country. We have huge investments in R&D, innovative products catering to the Indian market and many more committed business engagements. We have the people, the solutions, the partners, the services and the support to help your business in entirely new ways.
What can we help you build? Learn more at cisco.in/build.
BUILT FOR
THE HUMAN
NETWORK
CISCO
©2011 Cisco Systems, Inc. All rights reserved.

businesstoday.in

business today

What's Online

INDIA'S BEST CFOs



RAJAT BARAN

Tata Motors CFO C. Ramakrishnan

Business Today picked the best chief financial officers in the country and honoured them at an event on April 11. Read their stories, see their pictures, and pick up tips from them at ▸ **businesstoday.in/cfos2012**

PODCAST

Pharma's Fuzzy Future

BT's **E. Kumar Sharma** on what the Indian pharma industry must do to adapt to an increasingly competitive marketplace and stand up to challenges from multinational innovators.

businesstoday.in/pharma-podcast

PERSPECTIVES

Facebook Facelift

The social networking giant plans to reach out to Indian small and medium businesses, says Taslima Khan. ▸

businesstoday.in/fb-sme

Maruti's Big Diesel Bet

The car manufacturer jumps on the diesel wagon by investing in a special diesel engine unit at its Gurgaon factory, finds Kushan Mitra. ▸

businesstoday.in/maruti-diesel

Gold Loan Slowdown

RBI has finally taken action to prevent overheating in the gold loan sector. How will the companies respond, asks K.R. Balasubramanyam. ▸

businesstoday.in/gold-loan

BLOGS

Suman Layak
& Company

How a technicality may be preventing justice in SEBI's Satyam order.

businesstoday.in/suman

Taslima Khan
Startup Today

India's first 'Startup Village', being built in Kerala, has an ambitious agenda.

businesstoday.in/startuptoday

N. Madhavan
Chatterati

Will Jayalalithaa's Vision 2030 address the power outages that hinder progress in Tamil Nadu?

businesstoday.in/madhavan

Anand Adhikari
Making Sense

Do the decisions of Turkey's central bank have relevance for RBI as it battles inflation?

businesstoday.in/anand

BT

business today

SMART READER CONTEST

Answer this simple question by May 4 and get a chance to win a Reebok bag.

Reebok Backpack worth ₹799

Which of the following is the least likely to engage a virtual CFO? (a) Small or medium enterprise (b) Large company (c) Private equity firm

Correct answer to April 1 issue's question:
To what extent have voice contracts to Indian BPOs fallen in the last six years? (b) 50 per cent
Winners: Mohit Gandotra (Jammu), Daniel Nishant (Mumbai), K.P. Joseph (Mumbai)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 200 correct responses

CONTENTS

COVER BY KAPIL

APRIL/29/2012
VOLUME 21/NUMBER 9

10 **UPFRONT**

10 | Quick takes on major events

14 **FOCUS**

14 | Muted Cheer
Hiring is set to resume in the retail and financial sectors. The outlook is not that rosy for the rest

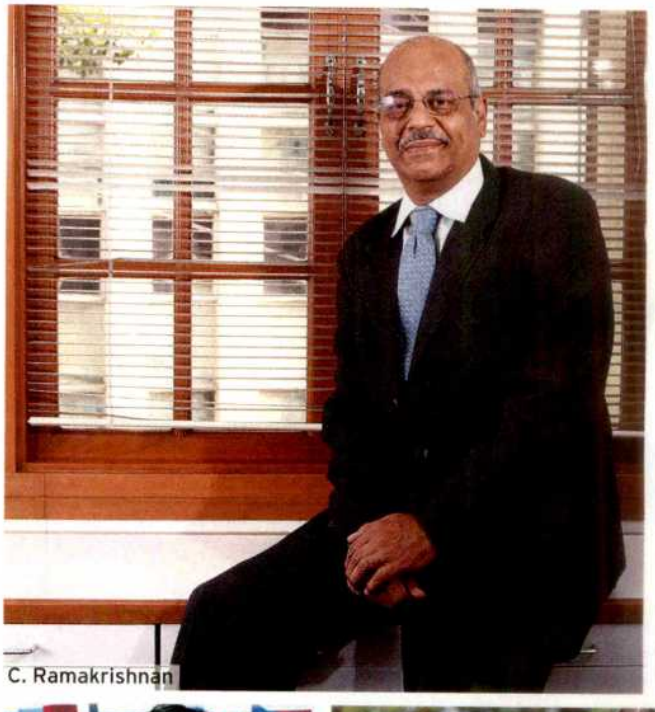
17 | Un-fare Proposal
Will Delhi become the world's costliest airport for international airlines?

20 **20 | Value Judgement**
Has Fidelity sold a troubled asset, or has L&T Mutual Fund brought distress upon itself?

26 **26 | Graphiti: More Money in the Net**

32 | Etcetera

COVER STORY: INDIA'S BEST CFOs

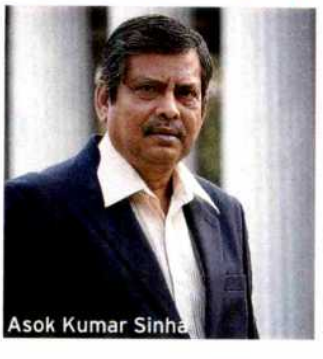

C. Ramakrishnan

Jayesh Merchant

Ramesh Swaminathan

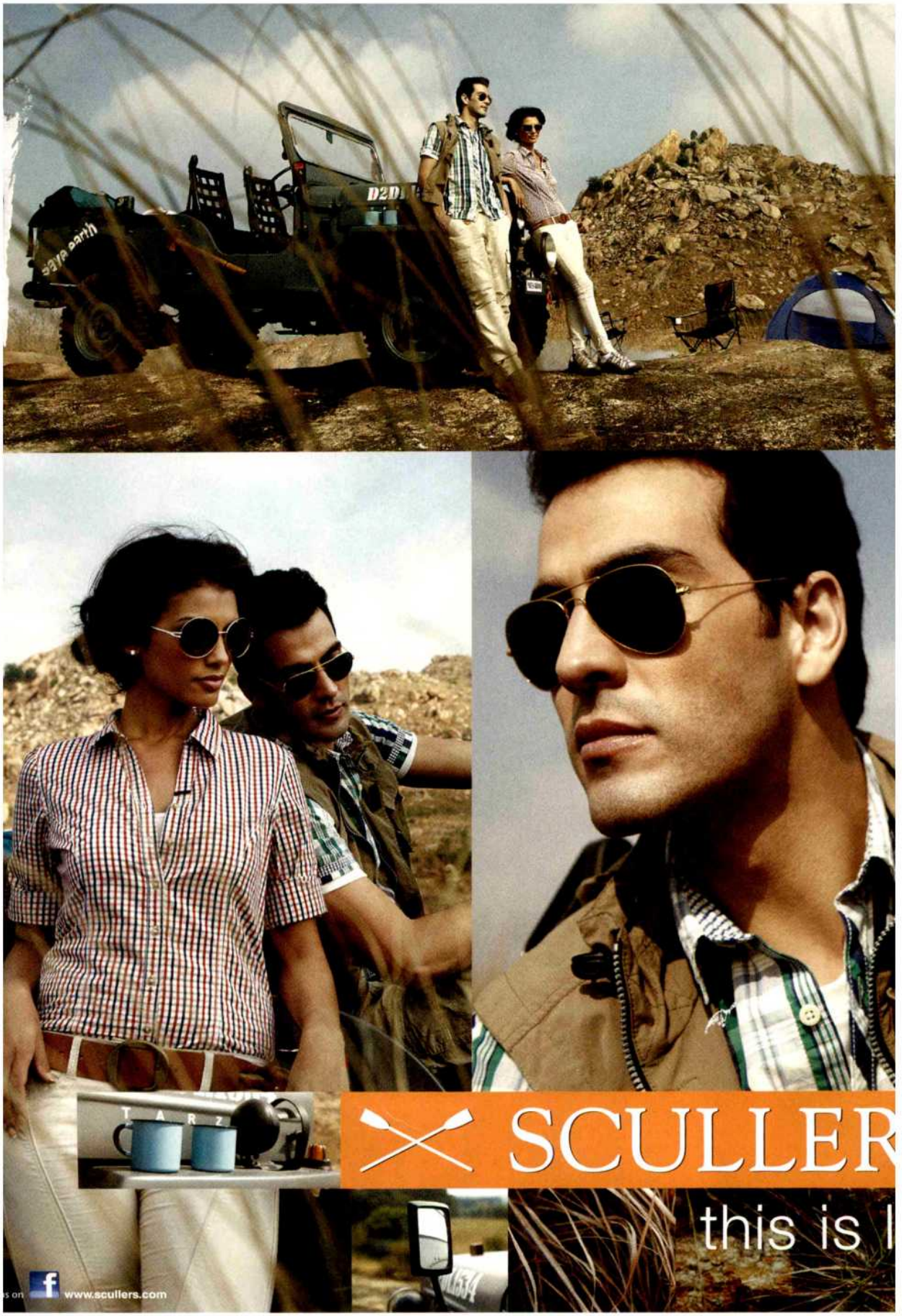
Amit B. Jain

N.H. Bhansali


Asok Kumar Sinha

Jyotsna Sharma

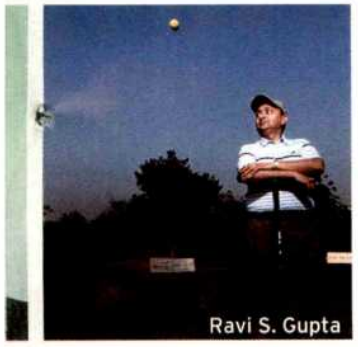
V.S. Parthasarathy



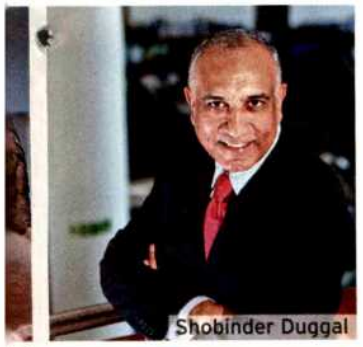
n to live
Scullers life

EXCLUSIVE STORES: Bangalore • Bhimavaram • Chennai • Coimbatore • Calicut • Cochin • Gurgaon • Hyderaba
• Jabalpur • Jhansi • Kanpur • Kannur • Kota • Lucknow • Malappuram • Mangalore • Mumbai • Palakkad • Raipu
• Satna • Surat • Thalassery • Trichur • Trivandrum • Vijayawada • Vizag

Also available at: CENTRAL BRAND NEW pantaloons FRESH FASHION Selec


Ravi S. Gupta

V. Ramesh


Shobinder Duggal

S. Mahalingam

48 | **India's Best CFOs**
Picking winners in such a competitive field is tough. We explain how we did it

52 | **All Wheel Drive**
It took innovation and agility for the overall winner, CFO C. Ramakrishnan, to get Tata Motors across tough terrain

54 | **Right on the Money**
The winner in each category talks about his or her approach

62 | **The Virtual CFO**
Freelance number crunchers are providing high-quality services to small companies that cannot hire a full-time CFO

FEATURES

34 | **Risky Shot**
Cricket is losing eyeballs, so why is Star TV paying so much for broadcast rights?

38 | **Laid Low By the Budget**
BT-C fore's Business Confidence Survey says the Budget is set to ruin industry's mood

44 | **Where the Fault Lies**
There are enough power plants, but fuel shortages and bankrupt utilities are ruining industries

68 | **Dance of the Damned**
Despite the apex court cancelling Uninor's licences, why are so many buying its service?

74 | **Room for Optimism**
Global hotel chains learn new tricks in India as they try to grow

78 | **Ballooning Appetite**
India looks beyond its borders to meet its ever-growing demand for natural gas

82 | **"Our Growth Is Way Above the Industry Average"**
Interview with Cisco's global chief John Chambers

84 | **Home and the World**
Harsh Goenka is moving towards foreign shores in a bid to increase global revenues

88 | ***HBR* Exclusive: Are You a Collaborative Leader?**

MONEY

96 | **Prepare for a Mixed Harvest**
The World Bank's predictions for 2012 on price movement of commodities may not all hold true in the domestic market

LBNL

100 | **Message in a Tablet**

P-TECH
103 | **Sultans of Social Networking**

EXECUTIVE HEALTH
104 | **Advantage, Morning Persons**

BOOKEND
105 | **Driving Progress**

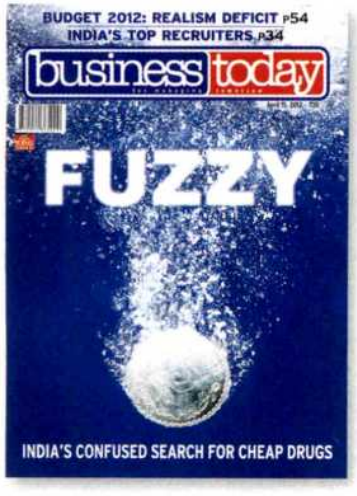
CAREERS
106 | **Choosing Mr and Ms Right**

108 | PEOPLEBUSINESS

LEADERSPEAK
112 | **Rajesh SUD,** MD & CEO, Max New York Life Insurance

Long Way to Go

Your cover story, Fuzzy (*Business Today*, April 15) on cheap drugs is an eye opener. But given the clout of MNCs in developing markets, Nexavar by itself is a baby step towards providing cheaper life saving drugs. Considering the wide gap between 'reasonably priced' and 'reasonably affordable priced' drugs,



the government needs to step in and subsidise the latter, even though they are termed 'reasonably affordable'.

Praveen Kaur, *Mumbai*

Hard Times Ahead

Few Budgets (*Realism Deficit*, April 15) benefit the common man. Most Budgets increase his financial burden. This year, the two per cent increase in service tax and excise duty, as well as the inclusion of almost all services (barring a short negative list of exemptions) in the list of those liable to pay service tax, will affect the common man and take away whatever gains the minor re-jigging of income tax slabs provides. Further, the Budget 2012 is not at all growth-oriented and discourages foreign investment with its proposal of bringing about retrospective amendments to some tax laws. I am surprised the UPA government is still in power despite such anti-populist moves. Regarding the Railway Budget (*The Man Who Kicked the Hornet's Nest*, April 15), I was very upset to find an honest effort to improve the Railways's finances turned into a political tamasha. The Railway Budget was progressive and would have helped the government and the Railways. Sadly, some people in power cannot see beyond their personal interests.

Mahesh Kumar, *Delhi*

www.facebook.com/BusinessToday

Visa rejections by US: I think it as a negative strategy by the US. If they want to increase the employment of their people, they should conduct some campaign or some sort of programme to develop skills.
Akshat Kumar

Indian firms to ramp up hiring this year: I do not know whether I should believe this or not, but thanks for the information.
Spunky Hunk Ash

@BT_India reports that cloud computing will create two million new jobs in India by 2015. Good one.
nsirota

Corrections

In the story, *Joining the Dots* (April 1, Page 72), the employers of Mahendra Jajoo and Ninad Deshpande are incorrectly named. Mahendra Jajoo works with Pramerica Mutual Fund and Ninad Deshpande with Axis Mutual Fund.

Send all your comments to editor.bt@intoday.com

www.businesstoday.in/coverstory: *Pill Talk* (April 15) is about India's quest for cheaper life-saving drugs and other health care ills

www.businesstoday.in/coverstory: *Born Again* (April 1) talks about how BPO industry in India is finding new ways to survive

BT SCRAPBOOK
- React to articles in BT
- Suggest story ideas
- Share your experience as consumer or SME
- See what others have to say on our stories on scrapbook at www.businesstoday.in

HOW TO CONTACT BT

WRITE TO:
The Editor, Business Today, Videocon Tower, 5th Floor, E-1, Jhandewalan Extension, New Delhi–110055.
E-mail: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.businesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India;
Toll free no. 1800 1800 100
(from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

LUBRICANTS

THE FUTURE IS MAK® 4T NXT

MAK 4T NXT is a premium quality lubricant designed specifically for new generation 4-stroke motorcycles. With its field proven and advanced synthetic technology, this oil offers you maximum riding comfort, maximum power, longer engine life and is environment friendly.

The next generation 4-stroke engine oil with advanced synthetic technology.

You get triple benefits of pickup, power and optimum mileage in one oil. It's what you always wanted for your bike.

mum Riding Comfort | Maximum Power | Longer Engine Life | Environment Friendly

cially formulated for all new generation motorbikes.

Game of Eyeballs: The IPL season has kicked off, but advertisers are yet to get excited. Advertisement rates are 15 per cent below last year. A 10-second spot during an IPL5 match broadcast costs anywhere between ₹5-5.25 lakh for non-sponsors and around ₹4.8 lakh for sponsors.

See also *Risky Shot*, page 34

Corporate

The Supreme Court has declined to reconsider its order cancelling 122 telecom licences in the 2G spectrum case. The rejection marks the end for telcos such as **Datacom** and **S Tel** who had been ordered to surrender their 2G licences. The cancelled licences will now be redistributed under the direction of the Supreme Court.

A casualty in **Tata Group's hunt for younger leaders has been the Bombay Stock Exchange.** It has lost its **Managing Director and CEO Madhu Kannan** to **Tata Sons.** He will assist **Chairman-designate Cyrus Mistry, 43,** at the $83-billion steel-to-software conglomerate. Kannan, 38, who joined BSE in 2009, was the youngest CEO of Asia's oldest stock exchange.

Essel Group's Subhash Chandra has his eye on infrastructure company IVRCL. His group has become the largest shareholder in IVRCL and offered to buy out founder and promoter Sudhir Reddy's stake. Reddy and his associates own just 11.2 per cent in the company, but received offers of financial assistance from fellow businessmen in Andhra Pradesh to increase their stake in the company. The takeover 'battle' was far from over at the time of going to press.

In a rare Presidential decree, the government has forced **Coal India** to guarantee long-term fuel supply to private power firms. CIL will have to pay penalties if it fails to supply 80 per cent of its commitment. The move will partly mitigate the coal shortage power plants face. (See also *Where the Fault Lies*, page 44.)

Kingfisher Airlines Chairman Vijay Mallya has finally coughed up a month's salary for his junior staff, numbering around 6,000, four months late. The rest, too, have been assured they will get their dues in a staggered manner.

BMW India has launched the iconic BMW **Mini**, costing upwards of ₹25 lakh. India is the 100th country for the British brand. **Volkswagen Beetle** and **Fiat 500** are its main rivals here.

India, China, Nigeria, Indonesia and the United States will lead the world's growth in urban populations in the next four decades, says a new forecast by the United Nations. All five countries will face major challenges in providing jobs, housing, energy and infrastructure for this burgeoning mass. India's cities will add 497 million, increasing the current total population by more than 40 per cent.

The world's leading postal and logistics group, Deutsche Post DHL has acquired Lemuir Group's 24 per cent stake in the joint venture, DHL Lemuir Logistics. Deutsche Post DHL now holds 100 per cent in the venture and has thus further consolidated its position as leader in global freight forwarding services in India. The new entity will be renamed DHL Logistics Pvt Ltd.

Economy

The Reserve Bank of India is seeking views from stakeholders as it formulates its **monetary policy, due on April 17**. Bankers expect the central bank to cut **its cash reserve ratio** (CRR), which currently stands at 4.75 per cent. Most bankers expect the RBI to reduce the CRR by 75 basis points (100 basis points equals one percentage point) and hope lending rates will fall after the cut. The step is expected to boost investment.

The Air India financial restructuring plan (FRP) has been approved by a consortium of banks, which will enable the airline save ₹1,000 crore in 2012/13. The implementation of the FRP will begin only after the Union Cabinet approves additional equity infusion into the airline. The government has so far put in equity of ₹800 crore in 2009/10, ₹1,200 crore in 2010/11, and another ₹1,200 crore in 2011/12.

The expansion of India's manufacturing sector slowed for the third month in March as growth in new orders eased while costs for raw materials kept increasing. **The HSBC manufacturing Purchasing Managers' Index (PMI) eased to 54.7 in March from 56.6 in February**. In January, the PMI reading was 57.5. Though the index has remained above the 50 mark, which shows growth rather than contraction for the next three years, the sector could still begin contracting in the days ahead.

100 million

Estimated 3G connections in India by 2014, according to the GSM Association. There are over 10 million HSPA (3G) connections across the country now. India is poised to overtake the US to become the second-largest mobile broadband market globally, after China, within the next four years, with 367 million mobile broadband connections by 2016.

$20 million

Investment by the International Finance Corp in Pragati India Fund, which focuses on small and medium enterprises in states such as Bihar, Rajasthan and Madhya Pradesh. Though the low-income states are home to over 400 million people, they attract virtually no big private investments.

Markets

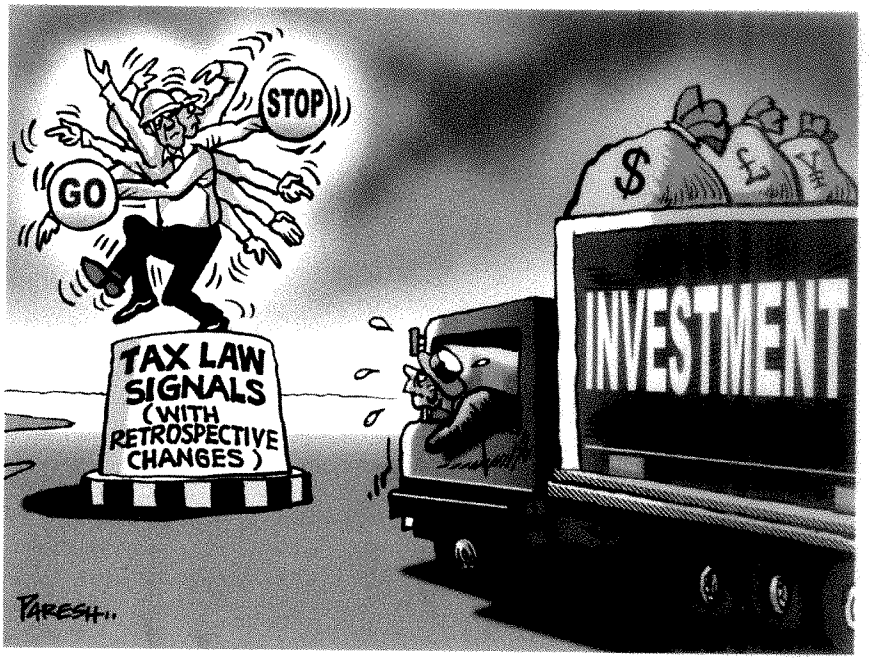
SEBI has allowed listing of local stock exchanges subject to a few conditions. **Stock exchanges will now be allowed to list after their regulatory and business functions are separated to prevent any conflict of interest**. However, self-listing of shares by exchanges has been barred though it is the norm in some countries.

State-run oil firms are projected to lose over ₹2 trillion (a trillion is one lakh crore) in 2012/13, due to the government policy of selling both auto and cooking fuel at controlled rates. Diesel prices are currently at an all-time high. **Indian Oil, HPCL** and **Bharat Petroleum** lose close to ₹670 crore a day on sale of diesel, domestic LPG and kerosene.

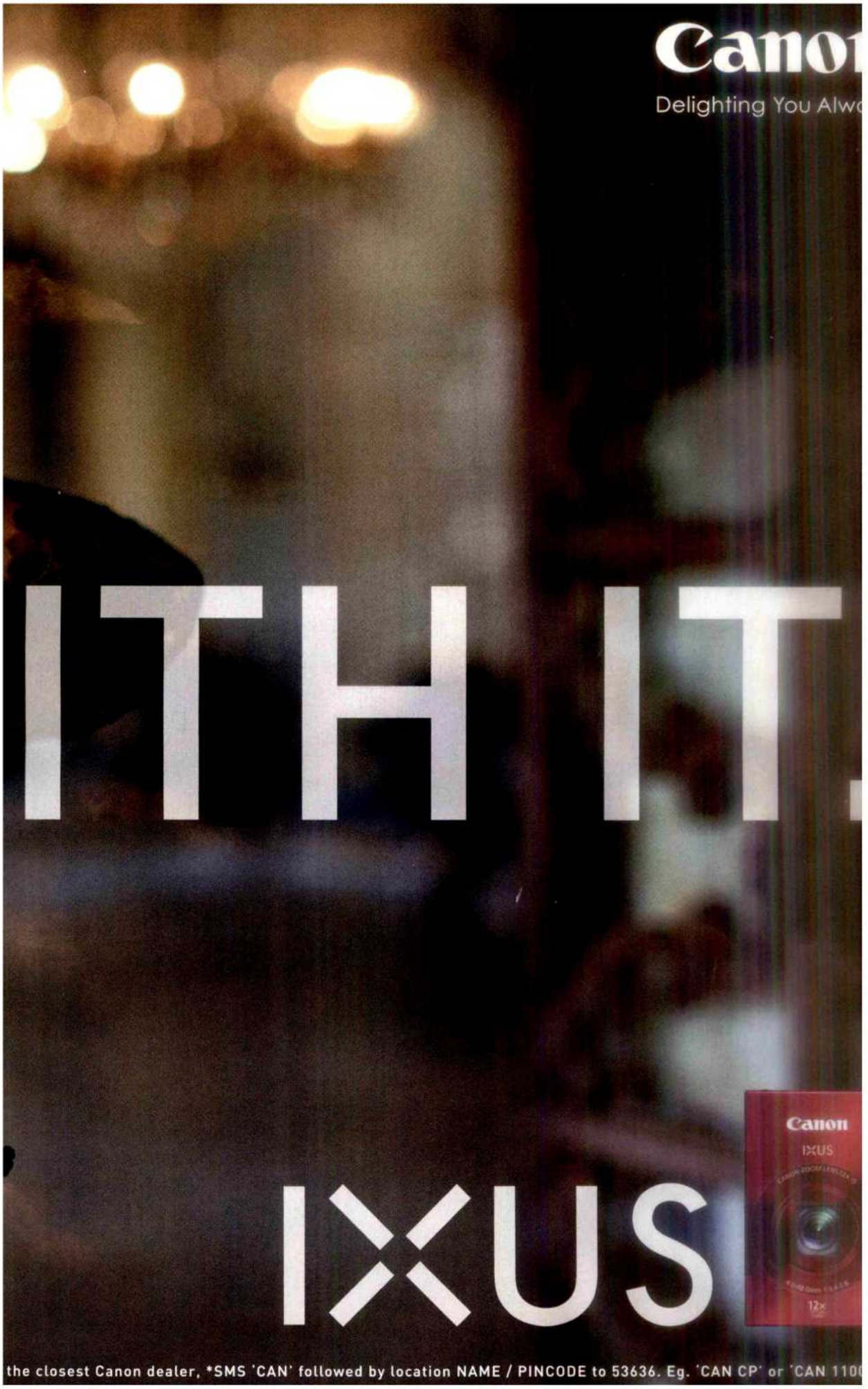
Coming Up

- Infosys will announce its Q4 and FY 2012 earnings on April 13. The currency impact on its performance is expected to be more muted this quarter than in the last, since the rupee has been trading in the 49-52 range against the US dollar in the quarter ending March. Analysts expect its FY 2013 guidance to surprise the markets.

- The National Asset Management Co, which is being created following dissolution of the Unit Trust of India, will start functioning in the next three months.



LIVE. W
Canon
IXUS
12x
Wifi enabled
so you can share the wealth
12x zoom
because you love detail
Wifi available only in select models. Accessories shown are not part of standard product offering. *SMS charges up to ₹3/SMS


Canon
Delighting You Alwa
ITH IT
IXUS
Canon
IXUS
12x
the closest Canon dealer, *SMS 'CAN' followed by location NAME / PINCODE to 53636. Eg. 'CAN CP' or 'CAN 1100

FOCUS

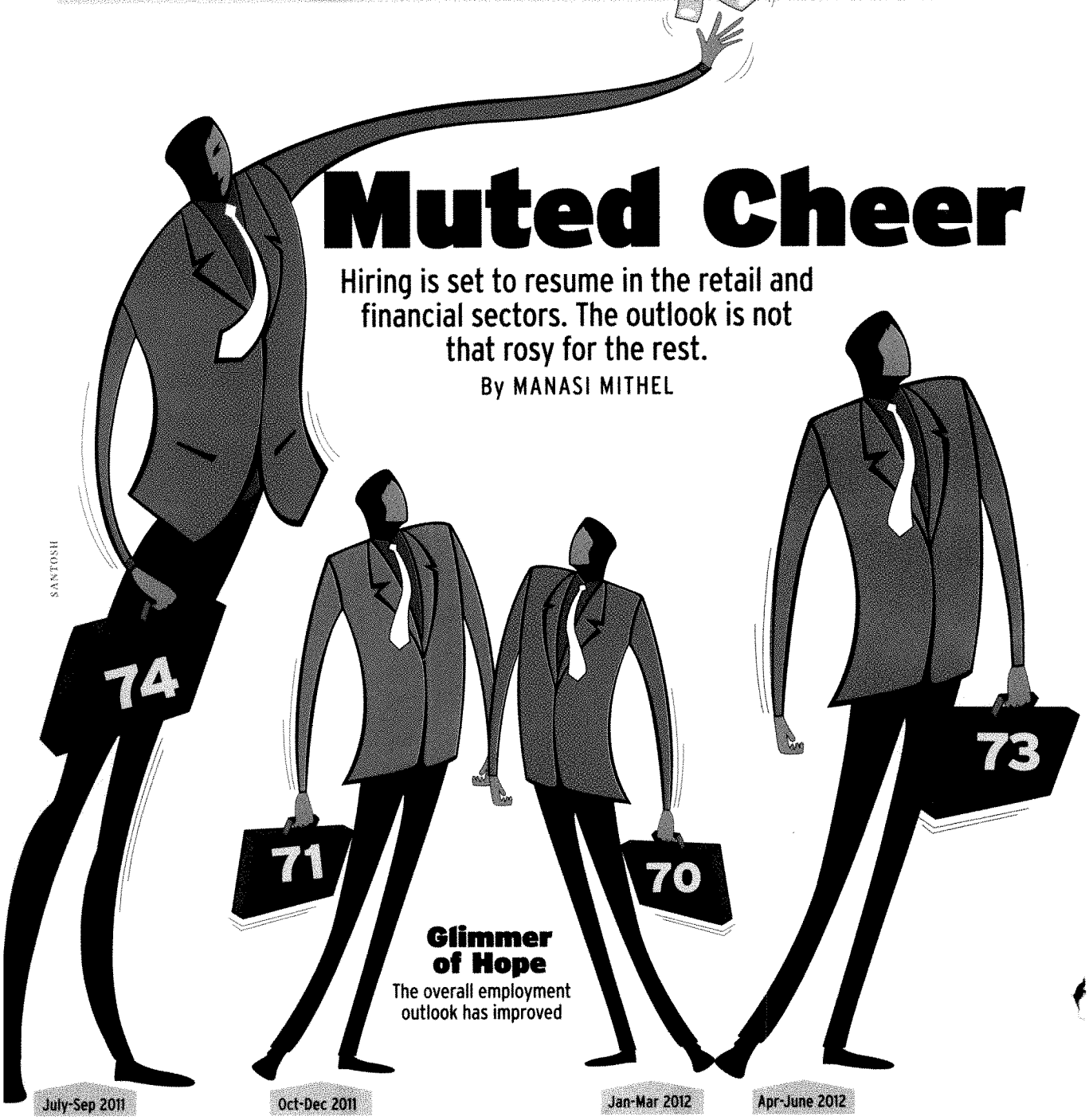
17 Un-fare Proposal
20 Value Judgement
26 More Money in the Net
32 Circe's curse returns

Muted Cheer

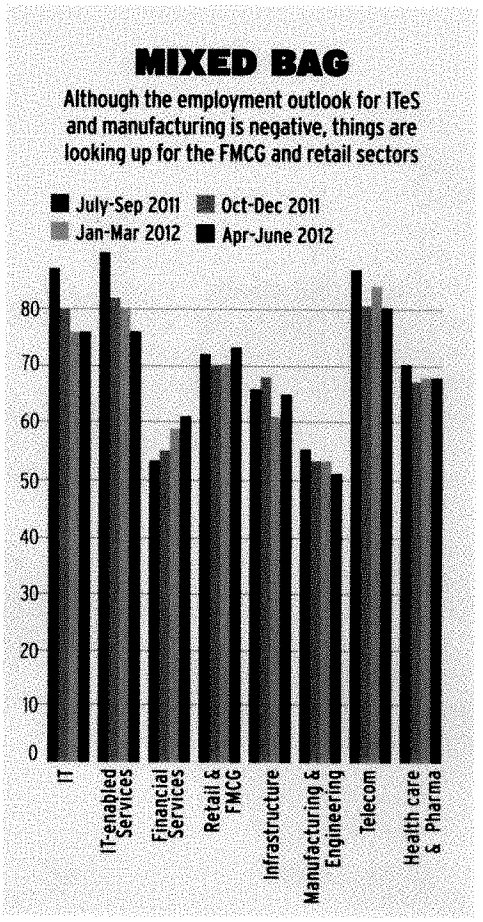
Hiring is set to resume in the retail and financial sectors. The outlook is not that rosy for the rest.

By MANASI MITHEL

SANTOSH



Glimmer of Hope
The overall employment outlook has improved



After seven years in investment banking, V. Johri, a chartered accountant by training, shifted to a private bank early this year. As the Assistant Vice President of compliance monitoring and surveillance, he has to conduct regular reviews, issue reports and identify deficiencies in the functioning of the company – a bit like an internal auditor. He landed the job after going through five extensive interviews with the company's Indian and global heads. "I think what stood out about me was my experience, knowledge of risk and my enthusiasm," says Johri, who got a 30-45 per cent hike in salary.

Many more will follow Johri in the coming months. After taking its foot off the pedal for six months, the financial services sector appears to be in hiring mode again. As does the retail and fast moving consumer goods (FMCG) industry. The latest *Business Today*-TeamLease survey projects an increase in recruitment in both during the April-June 2012 quarter.

The survey, which provides a snapshot of business hiring sentiment, covers eight industry sectors and eight cities across India. "The year is just beginning. Many companies were cautious in the past, but now they are recruiting," says Sangeeta Lala, Co-founder & senior Vice-President, TeamLease.

The net Employment Outlook Index (EOI) – the difference between the percentage of respondents who expect hiring to increase in the coming three months and those who expect it to decrease – has risen from 70 to 73 during the April-June 2012 quarter.

This increase has been driven by an improvement in the outlook for the financial services and FMCG/retail sectors over the previous quarter. While financial services rose two points to 61, FMCG and retail went up three points to 73. The two industries are the largest employers in the services sector. "Even an inch of growth (in the employment outlook index) for these two sectors means a lot in terms of job creation," says Rituparna Chakraborty, co-founder and senior VP, TeamLease.

However, the net employment outlook for the information technology (IT), IT-enabled services (ITeS), manufacturing and engineering, telecommunications, infrastructure, health and pharma sectors, is negative or has seen no change at all.

Across sectors, hiring plans, in general, look lukewarm for the middle management level. However, at the junior level – up to three years of experience – the trend is robust, with the survey recording a four-point increase. Take Max New York Life, for example. "We are looking to recruit at least 3,000 people in our frontline sales team," says Rajit Mehta, Executive Director & COO. The company feels that its talent pool at the middle and senior levels is stable, and plans to hire only if there is a need. "Overall, I think the BFSI (banking, financial services and insurance) segment has picked up, and though we are nowhere near the 30 per cent growth of the past, the segment is growing at a healthy 12 per cent," he says.

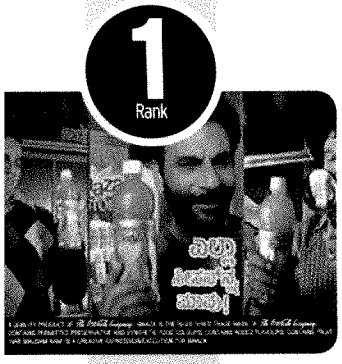
The prospects of those at the senior level – people with more than seven years of work experience – also look better. The segment went up one point to 25 in the TeamLease survey.

"Despite talks of turbulence, we notice companies are keen to hire quality talent at senior levels," says Jyorden T. Misra, Founder-member and MD, Spearhead Intersearch. His firm looks at senior-level recruitments.

Driven more by domestic consumption and protected against currency fluctuations, companies in the FMCG and retail sector, such as Dabur, have an upbeat hiring and

TOP 20 MOST WATCHED ADS

February 2012



Maaza

GRPs:1,067
Seconds on air: 649,670

RANK/BRAND		GRPs
2	Cadbury Bournvita	1,492
3	7 Up	786
4	Sunfeast Yippee Noodles	732
5	Idea 3G Smart Phone	700
6	Samsung Champ Deluxe	686
7	Pears	679
8	Ponds Age Miracle	651
9	Birla Sunlife Wealth	709
10	Horlicks	578
11	Clinic Plus Strong & Long	646
12	Uninor Cellular Phone	552
13	Vim Drop	552
14	Bingo Tangles	537
15	Pantene Pro-v Hair Fall	537
16	Axis Bank	527
17	Chevrolet	487
18	Dove Intense Repair	485
19	Vedanta Alumina	473
20	Vodafone Cellular Phone	467

All India CS 4+Yrs; GRP normalised to 30 secs
To see ad duration, visit www.businesstoday.in
Source: TAM Peoplemeter System

business outlook. The FMCG sector has been recording year-on-year growth of around 13 per cent.

On its part, Dabur is still cautious: "Hiring is need and role-based," says V. Krishnan, VP of Human Resources at Dabur. For instance, the company is looking to expand its rural footprint into Chattisgarh, Uttar Pradesh and eastern parts of Maharashtra, besides expanding its presence the South. And it will be taking on more people as the need arises. At the management level, the company has hired around 22 management trainees from the country's premier business schools.

The ITeS sector, which fell four points to 76 points during the April-June quarter, has still not picked up. Neither has the IT sector, which recorded flat growth. But, according to Sangeeta Gupta, Senior VP at Nasscom, IT is still bullish in hiring compared to other sectors, with the global economic environment showing some signs of stability.

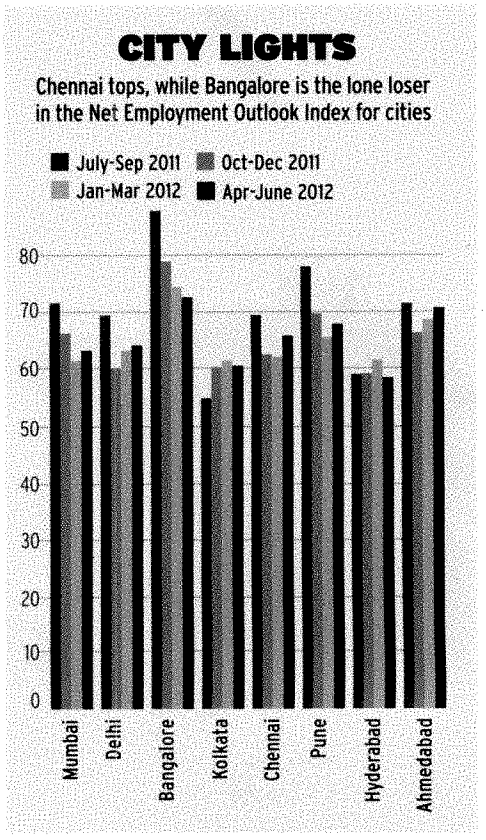
"Around 100,000 offers from approximately 200 campuses were made in our last campus-hiring exercise, in the September quarter. This is a large number and indicative of the fact that there is enough capacity to absorb talent," says Gupta. Campus hiring generally takes place between September and December.

Among cities, the hiring outlook was positive in Mumbai, Delhi, Chennai, Pune, Hyderabad and Ahmedabad. Chennai led the pack, recording a three-point increase – from 63 to 66 – in its net Employment Outlook Index.

However, Bangalore, considered India's Silicon Valley, saw a two-point fall. Kolkata was the other disappointment.

"Chennai is one of the upcoming markets along with Pune. There is a potential to grow in Chennai. This is a bit different from Bangalore, which has grown beyond its limit," says Varadanahalli A. Rangarajan, head of recruitment at IBM.

Bangalore's deceleration is a concern. The city created around 120,000 jobs last year, says B.S. Murthy, CEO of executive search firm Leadership Capital. Most were a net addition to the IT and ITeS sectors.



"With the US presidential election around, clearly it would mean less hiring here in India. You will have the Republicans and the Democrats speaking up against outsourcing," he says. This will impact the employment outlook for the ITeS sector. "Major hiring will happen only in 2013," says Murthy.

There is some good news, though. The Net Business Outlook has recorded a single-point increase in the TeamLease survey, a trend that continues from the previous quarter. The Business Outlook Index is computed by subtracting the percentage of respondents who say business in the next three months is likely to decrease from the percentage who say it will increase.

While the IT, ITeS and telecom sectors recorded significant declines, these were more than made up by improvements in other sectors. ◆

Send your comments to editor.bt@intoday.com

Introducing the globally acclaimed all new Sonata.

The Sonata has been designed for the discerning driver and boasts of unprecedented performance, unmatched features and inimitable style. From its orchid inspired strokes to its powerful 2.4L GDi engine that delivers a mighty 201 PS of power, this car is a work of art in its own right.

THE ALL NEW

SONATA

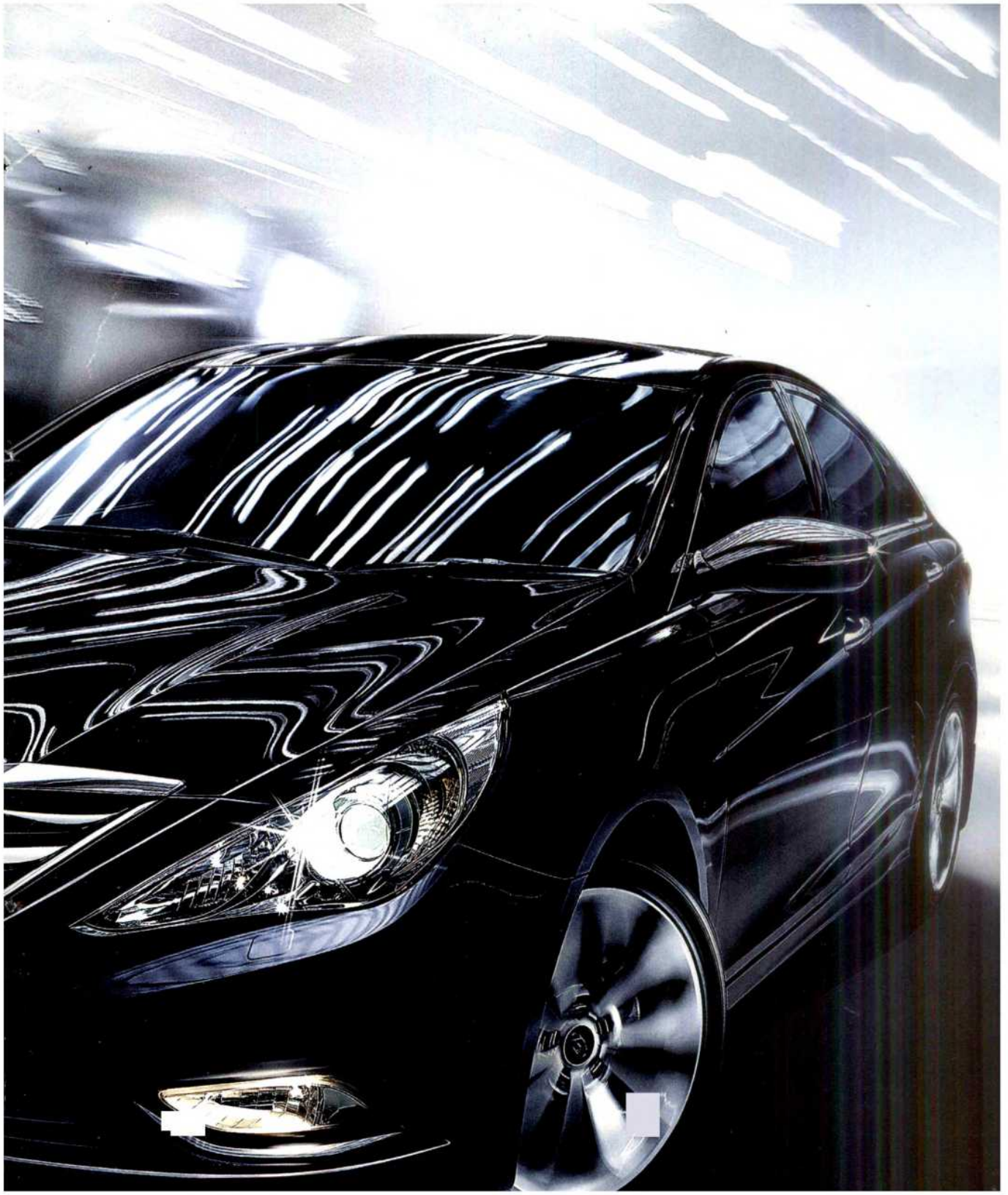
ADMIRED GLOBALLY

2.4L GDi ENGINE

The 2.4L Gasoline Direct Injection (GDi) engine is the most powerful and fuel efficient in-line engine in its class.

SAFETY PACKAGE

An ideal combination of active and passive safety features like ESP, traction control, ABS, active headrests and 6 airbags.



Un-fare Proposal

Will Delhi become the world's costliest airport for international airlines? By K.R. BALASUBRAMANYAM and GEETANJALI SHUKLA

PHOTOGRAPHS BY VIVAN MEHRA

Controversial move: Delhi airport's proposed levies could work out to as much as ₹800 per passenger

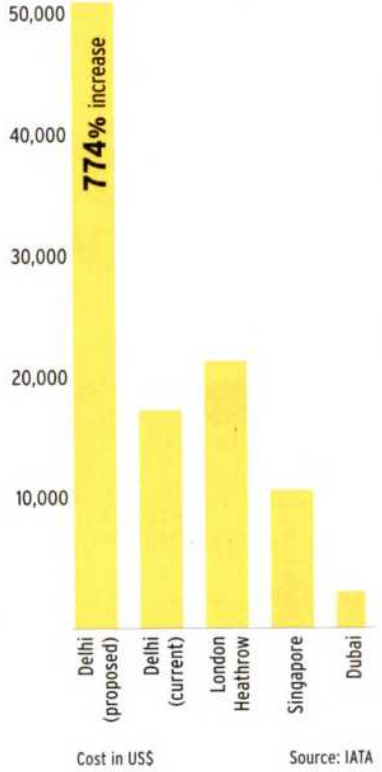
Civil Aviation Minister Ajit Singh told the Rajya Sabha on March 29 that Malaysian budget carrier AirAsia had suspended services to Delhi and Mumbai, citing, among other things, airport and handling costs at both international airports. Since the airports passed on to private hands in January 2006, new levies collected from airlines and passengers have often sparked protests.

"Any increase in airport charges – and the amounts being talked about are substantial – is detrimental to the plans of carriers like AirAsia, for whom costs are critical to the operating model," says Suresh Nair, the airline's Regional Manager for India, Sri Lanka and Bangladesh. It may be India's loss, too. In January 2011, AirAsia pulled out of Hyderabad after the GMR Group-promoted airport jacked up charges.

Delhi's trophy Terminal 3 comes at a cost to users. The 774 per cent increase in charges that Delhi International Airport (DIAL) has asked from the regulator, the Airports Economic Regulatory Authority (AERA), would work out to between ₹700 and ₹800 per passenger. AERA suggested a 334 per cent increase, which is about ₹350 to ₹450 per passenger. AERA is expected to pass the final order on tariffs this month.

INTO THE STRATOSPHERE

Charge for service to a Boeing 747-400 between landing and take-off



Meanwhile, Mumbai International Airport (MIAL), in which Hyderabad-based GVK Group holds a 50.5 per cent stake, wants an airport development fee of ₹100 for domestic passengers and ₹600 for international ones.

Delhi airport, in which the Bangalore-based GMR Group holds a 54 per cent stake, is hurting. It reported net losses of ₹450 crore in 2010/11, and its losses in 2011/12 are estimated at some ₹930 crore. Many in the airline industry say the cause for losses is that the airport operator has to share 46 per cent of gross revenues with the Airports Authority of India (AAI). DIAL says its loss is ₹50 crore a month.

Air Passengers Association of India (APAI) founder D. Sudhakara Reddy says DIAL is making losses because the airport is underutilised. "It is built to carry nearly 52 million pas-

Retail revenue: Delhi airport concourse

WHO OWNS THEM

1. Delhi International Airport Ltd

- GMR Group: **54%**
- AAI: **26%**
- Malaysia Airports Holdings: **10%**
- Fraport: **10%**

2. Mumbai International Airport Ltd

- GVK Group: **50.5%**
- AAI: **26%**
- BSD (Mauritius): **13.5%**
- ACSA Global: **10%**

sengers a year, but carries only around 25 million," he says. "It should have been built over 10 years in a modular fashion. Why build 5.4 million square feet at once? It has escalated their cost."

Justifying the tariff increase, Sidharath Kapur, Chief Financial Officer - Airports, GMR Group, says: "In India, aeronautical charges have not increased for the past 10 years, except for a 10 per cent increase in 2009. The tariffs have not even been adjusted for inflation. They are among the world's lowest."

Tony Tyler, Director General of the International Air Transport Association (IATA), said ironically at the India Aviation 2012 conference in Hyderabad in March: "Such an increase in charges would certainly fit the Ministry of Tourism's 'Incredible India' description, but it will come with a fall in tourist arrivals and further damage to local and international airline connectivity." IATA Assistant Director Malvyn Tan says that even a 334 per cent increase in charges would make Delhi the world's most expensive international airport for a Boeing 747-400, for example.

According to an official statement by Lufthansa, the only sustainable way to improve airport utilisation and revenues is to increase flight traffic, and not charges. International carriers say India risks pricing itself out of the market for regional aviation hubs in Asia.

AirAsia's Nair says other countries offer his airline incentives to increase the number of passengers it brings in.

Indian low-cost carriers had also hoped to benefit from changes expected at Delhi airport. For example, IndiGo and SpiceJet would operate international flights from Terminal 1B. But that has fallen through.

Deccan Charters Chairman G.R. Gopinath says that airports have gone from public sector monopolies to private sector oligopolies, though he concedes that old cow-sheds have given way to modern airports. "If the regulator decides the return on investment on a cost-plus basis, then where is the competition?"

Some in the aviation industry argue that AAI should settle for a lower share of revenue from Delhi airport, as a 46 per cent share is too steep. But this view has its critics. "One must remember that AAI has to operate airports across the country that are not remunerative," says Amber Dubey, Director-Aviation at KPMG. "Plus, this may be construed as changing the rules of the game post-facto, in favour of the winning bidder."

Then there is the issue of DIAL not having taken into account revenues from joint ventures it entered into for non-aviation activities such as food counters, car rental and parking. APAI's Reddy says: "There was no competitive bidding process. Revenue from these activities should also be considered while determining tariffs."

DIAL says the joint ventures are in compliance with bid documents. Kapur says: "The revenue that concessionaires or the JV give to DIAL is used for cross-subsidising. It is not the entire revenue of the concessionaire or JV which is to be used to cross-subsidise." Airport operators often use such revenue to cross-subsidise tariffs. ◆

"IN INDIA, AERONAUTICAL CHARGES HAVE NOT INCREASED FOR THE PAST 10 YEARS, EXCEPT FOR A 10% INCREASE IN 2009. THEY HAVE NOT EVEN BEEN ADJUSTED FOR INFLATION"

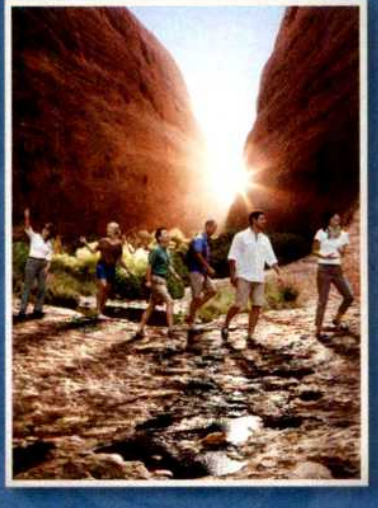
Sidharath Kapur,
CFO - Airports, GMR Group

There's nothing like doing business with an icon

Uluru is such a breathtaking destination. I was proud to be able to offer our most valuable team members this once in a lifetime experience. Our group went from one inspiring experience to another. From guided walks at sunrise and learning more about Aboriginal culture by creating our own dot paintings, to dining under the stars – this was an event none of us will forget. And memories weren't the only things our team brought home with them. Their new found motivation, ideas and energy lasted long after our return.

Cathy, Managing Director.

Visit **businessevents.australia.com** for everything you need to plan your Australian event.



There's nothing like Australia

Business Events Australia

Value Judgement

Has Fidelity sold a troubled asset, or has L&T Mutual Fur brought distress upon itself? By RAJIV BHUVA

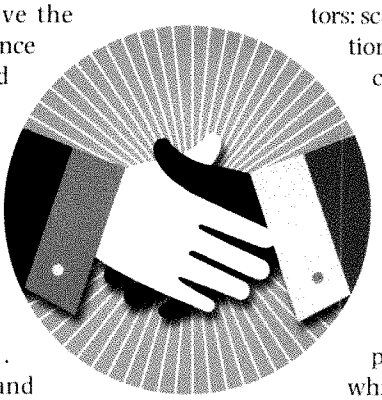
₹572 crore
Value of the Fidelity-L&T Finance deal

₹8,880 crore
Fidelity's AUM as of December 2011

₹4,616 crore
L&T Mutual Fund's AUM as of December 2011

These are not the best of times for the Indian mutual fund industry. Its assets under management (AUM) have shrunk, and soon, it will lose one of its marquee names. On March 27, L&T Finance, a subsidiary of L&T Finance Holdings, announced the acquisition – pending regulatory approval – of FIL Fund Management and FIL Trustee Company. These companies have been handling the Indian operations of US-based Fidelity Worldwide Investment, a global leader in asset management. While the transaction's value has not been disclosed officially, people in the know put it at ₹572 crore. That works out close to 6.5 per cent of Fidelity's AUM of ₹8,880 crore, as of December 2011.

Some analysts believe the price tag is not justified, since Fidelity had accumulated losses of ₹306 crore until March 2011. L&T Finance Holdings, however, does not see it that way. "The valuation is in line with transactions that have happened in the recent past," says Y.M. Deosthalee, Chairman and Managing Director of L&T Finance Holdings. "And, we have not acquired the losses on their books."



The deal with Fidelity will certainly help L&T Mutual Fund take a big stride towards its goal of becoming one of the Top 5 fund houses in the next five to six years. Once Fidelity's AUM is clubbed to L&T Mutual Fund's AUM of ₹4,616 crore (as of December 2011), the latter will jump up the rankings to the 13th spot, with a total AUM of ₹13,497 crore.

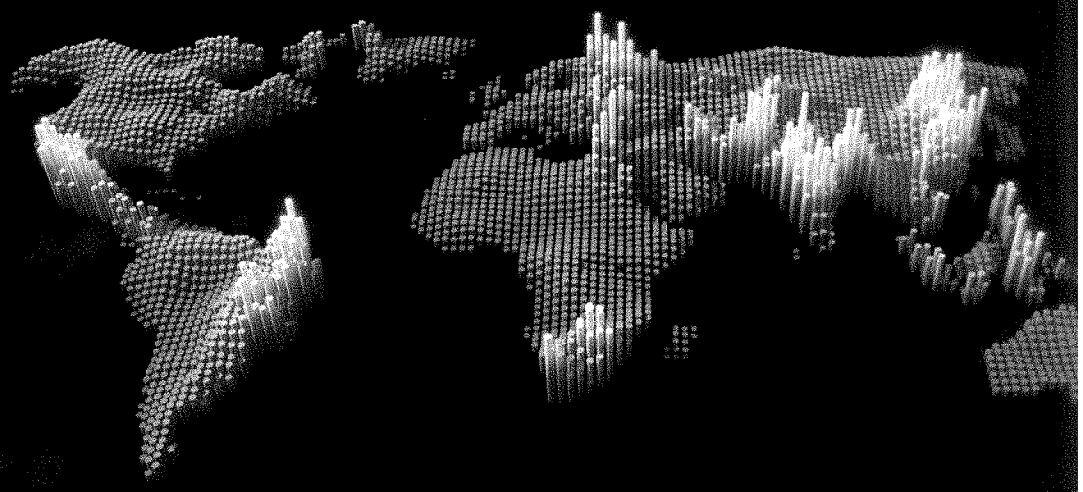
"The combined AUM will bring us close to the ₹15,000 crore mark, which will make breaking-even smoother," says N. Sivaraman, President and Director of L&T Finance Holdings.

"A simple analysis of the financials shows that no asset managemen with AUM below ₹10,000–12, makes profits," says K. Bala Chairman and Managing Directc India, which advised L&T Finan

Fidelity has a strong portfolio atic investment plans, which v steady investment flows and ga retail participation. However, th tion is how the transaction will financial strength of L&T In Management, the asset manage pany (AMC) that manages L& Fund. The AMC had racked up lc cess of ₹124 crore as of March 2

According to Balakrishnan, p in the industry is a function of thr tors: scale and asset mi tion strength, and cost structures. to 68 per cent c in equities, Indian busin best asset mi dustry. On th tion front, S says L&T Mut strong thrust pendent financia while Fidelity has st tionships with banks an distributors. But employee costs v an integration challenge for L&T. Fidelity is known across the ind generous paymaster. "Those are challenges that almost all ac pose," says Sivaraman.

In addition, L&T Mutual fun get the skills of Fidelity's 50-mem fund management team, which l its funds to outperform most of tl Fidelity is retaining the team to f offshore investment business. Th factor, as many equity investors l track record of fund manager Mutual Fund, which is predomin debt funds, will face a challenge ir old investors and attracting new



FedEx®

WHERE THERE'S A HIGH-GROWTH OPPORTUN
WE'RE THERE.

In today's changing global landscape, it pays to think ahead. Which is why we have ov
experts in nearly 4,000 locations worldwide. All perfectly placed to provide the solutio
So whatever the size of your business opportunity, you can count on us to help you take

Connect your business to a changing world. connect.fedex.com

12 FedEx. All rights reserved.

RACHIT GOSWAMI/www.indiatodayimages.com

THE RISK OF GETTING CAUGHT IN A CORRUPTION SCANDAL IS MUCH HIGHER TODAY

RICHARD FENNING, CEO of risk consultancy Control Risks, has a phlegmatic take on global political developments. A student of history, he makes a living by advising companies on risks associated with business in unfamiliar environments. Fenning spoke to **SANJIV SHANKARAN** during a recent visit to India: Edited excerpts.

On the global risk environment: At a local level, risks come in and out of focus all the time. The risk of getting caught up in a corruption scandal is much higher than it has ever been because we are living in a world where there is a much greater expectation of transparency. That is a risk to business that was in the background 10 or 15 years ago.

On risks in India: What we find with a lot of our clients is that they get BRIC fever. The temptation and pressure on business development teams to close deals quickly is stronger than it's ever been. That can force people to rush at the Indian market.

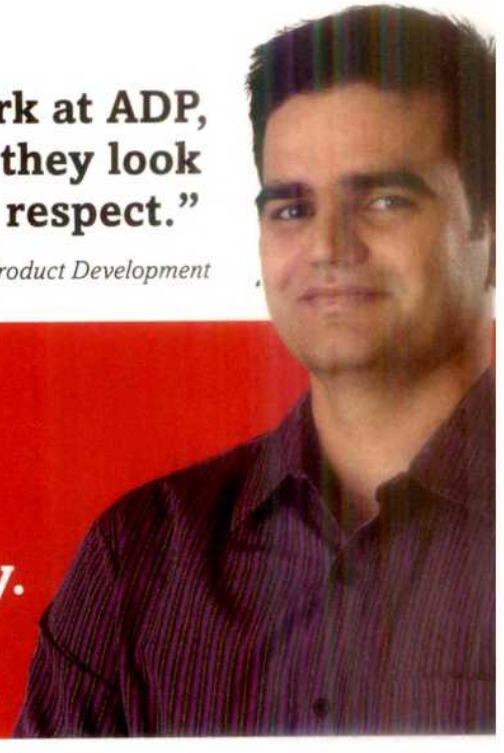
On China vs India risks: China shares with India this complex interplay of business interests and political interests. There are broad similarities. (But) India is a much more liberal place to do business. For all its complexity and the fact tax authorities can appear to be capricious, there is an openness about doing business in India that you still don't have in China... China wins in terms of infrastructure, but again most people factor that at the outset.

For the full interview go to
www.businesstoday.in/fenning

A Fortune 500 Company

"When I tell people I work at ADP, a Fortune 500 Company, they look at me with respect."

Sandeep Maharia – Senior Manager, Product Development



With ADP You're in Excellent Company.

ADP Inc. is one of the world's giants in computerized business solutions. We have a blue-chip global client list, and an outstanding track record, for over 60 years.

In India, we offer you excellent careers in Product Development, RIM and BPO – with the opportunity to work with the very latest technologies/processes, across a range of platforms, to meet the specialized needs of our 570,000 clients, in 125 countries.

But most of all, you'll enjoy our company culture. Because we treat you like a member of our family. And we encourage you to grow to your fullest potential, both professionally and personally. Little wonder we're ranked #14 in the Dataquest CMR Best Employers survey. And that's why 52% of our associates have joined us from our associate referral program – one of the highest rates in the industry.

Do you want to know more? Email us at ADPi.Dialog@adp.com

- Ranked #275 in the Fortune 500
- $10 billion in revenues, approximately
- Ranked #1 by Fortune magazine among the 'Most Admired Companies' (Financial Data Services category)
- Rated 'AAA' by S&P and Moody's (one of the only 4 non-financial companies in USA)
- Ranked #2 in the 'Training Top 125' list, US

Great careers in Product Development, RIM and BPO www.ADP.com

As a minister, I cannot act just on a complaint... I did not get any written complaint at any stage.

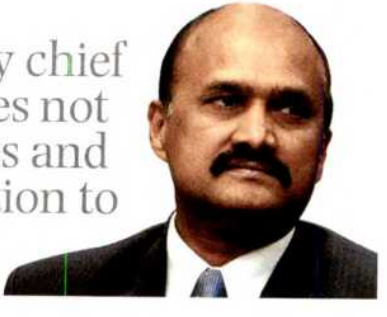
A.K. Antony, *Union Defence Minister, in Parliament*

Just imagine, one of these men had the gumption to walk up to me and tell me that if I cleared the tranche, he would give me ₹14 crore.

General V.K. Singh, *Chief of Indian Army, on* NDTV

What the present Army chief has said shows that he does not understand ground realities and had some motivation to make such remarks.

V.R.S. Natarajan, *BEML Chairman, in* The Indian Express



PREVIOUS CHIEFS OF ARMY STAFF J.J. SINGH AND SHANKAR ROYCHOWDHURY HAD GREAT THINGS TO SAY ABOUT TATRA TRUCKS.

Ravi Rishi, *Chairman of Vectra Group, which controls Tatra, in* The Economic Times

We have used Tatra trucks for Prithvi and Agni launches. In our experience, there has not been a bad performance ever or any troubles with Tatra.

V.K. Saraswat, *DRDO Director General, quoted by wire agencies*

JOIN HILTON HHONORS.

EARN TWICE THE REWARDS.

EARN DOUBLE POINTS OR DOUBLE MILES ON YOUR NEXT GETAWAY.

Suddenly, anywhere in the world is just around the corner thanks to Hilton HHonors™, the guest loyalty program of Hilton Worldwide and its ten distinct brands. Join today or if you're already a member, sign up for the **Double Your HHonors** promotion. Because now, you can earn Double Points or Double Miles when you stay at any of our participating hotels or resorts in the Hilton Worldwide portfolio by June 30, 2012. Whether you're craving a lazy weekend by the pool or sightseeing in India, the vacation you've been waiting for is almost here. Sign up today and discover how HHonors can get you to experiences worth sharing faster than ever.

New Delhi
Hilton New Delhi/Janakpuri
Hilton New Delhi-Noida-Mayur Vihar
DoubleTree by Hilton New Delhi-Noida-Mayur Vihar
Hilton Garden Inn New Delhi/Saket
Eros Hotel-Managed by Hilton New Delhi Nehru Place

Gurgaon
DoubleTree by Hilton Gurgaon-New Delhi NCR (New)

Mumbai
Hilton Mumbai International Airport

Chennai
Hilton Chennai

Vadodara
Hampton by Hilton Vadodara-Alkapuri (New)

Goa
DoubleTree by Hilton Goa – Arpora (Opening Soon)

• Sign up now at HHonors.com/Double •

WALDORF ASTORIA · CONRAD · Hilton · DOUBLETREE · EMBASSY SUITES · Hilton Garden Inn · Hampton · HOMEWOOD SUITES · HOME2 · Hilton Grand Vacations

*See HHonors.com/Double for full terms & conditions. Double Miles option is subject to airline participation.

5 STEPS TO HERE

BUILDING ON SAND

Feb 2000
Maharashtra government allots land in Colaba, south Mumbai, to build housing complex for Kargil War widows and defence personnel

Sep-Oct 2010
Construction of 31-storey building called Adarsh completed on the plot; Army and Navy raise security concerns over its location. Environment ministry says it has violated coastal regulation zone norms

Nov 9, 2010
Maharashtra CM Ashok Chavan resigns, after his late mother-in-law is found to have been allotted a flat in Adarsh

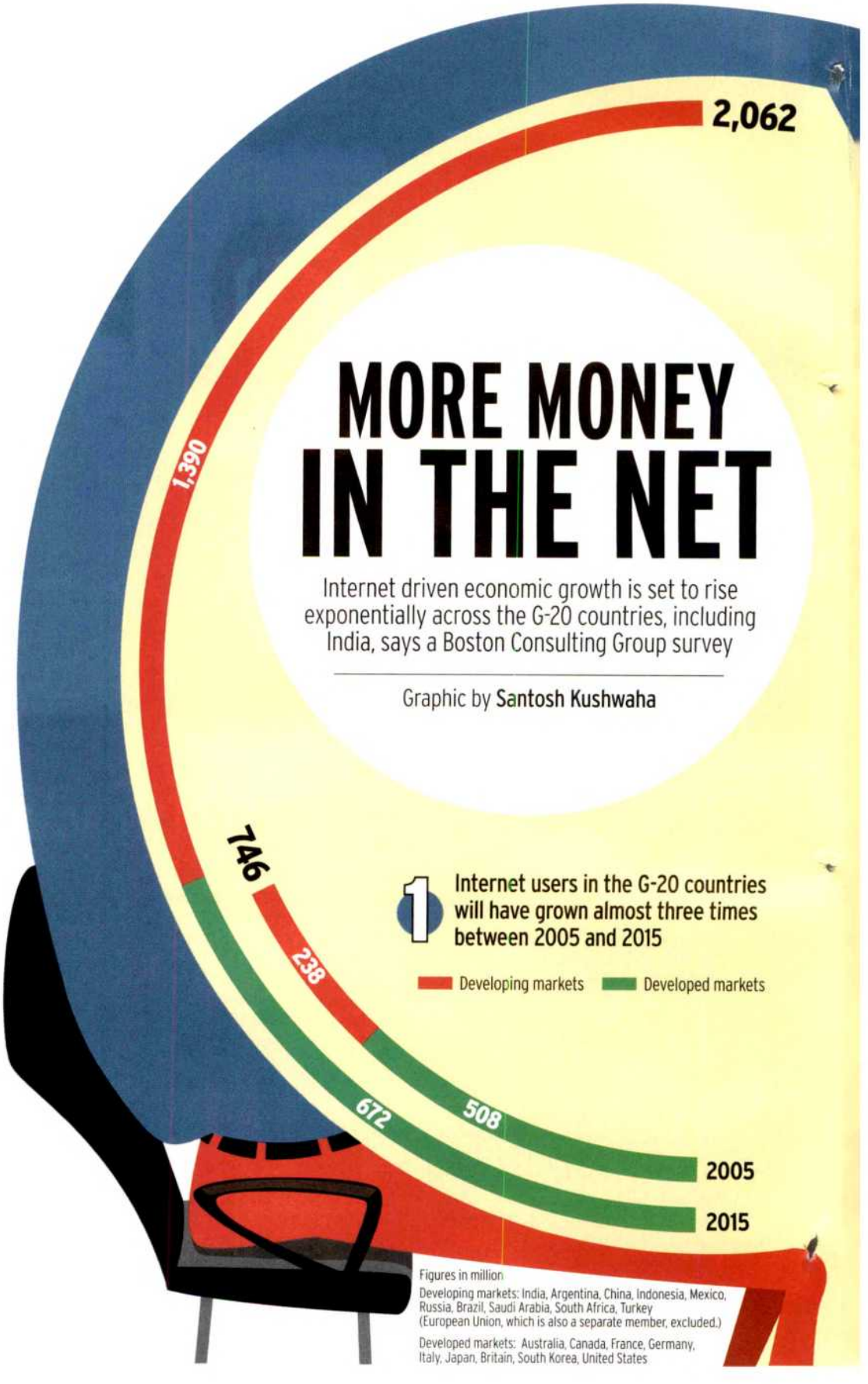
Jan-May 2011
CBI registers cases against Ashok Chavan and 12 others, arrests three key accused

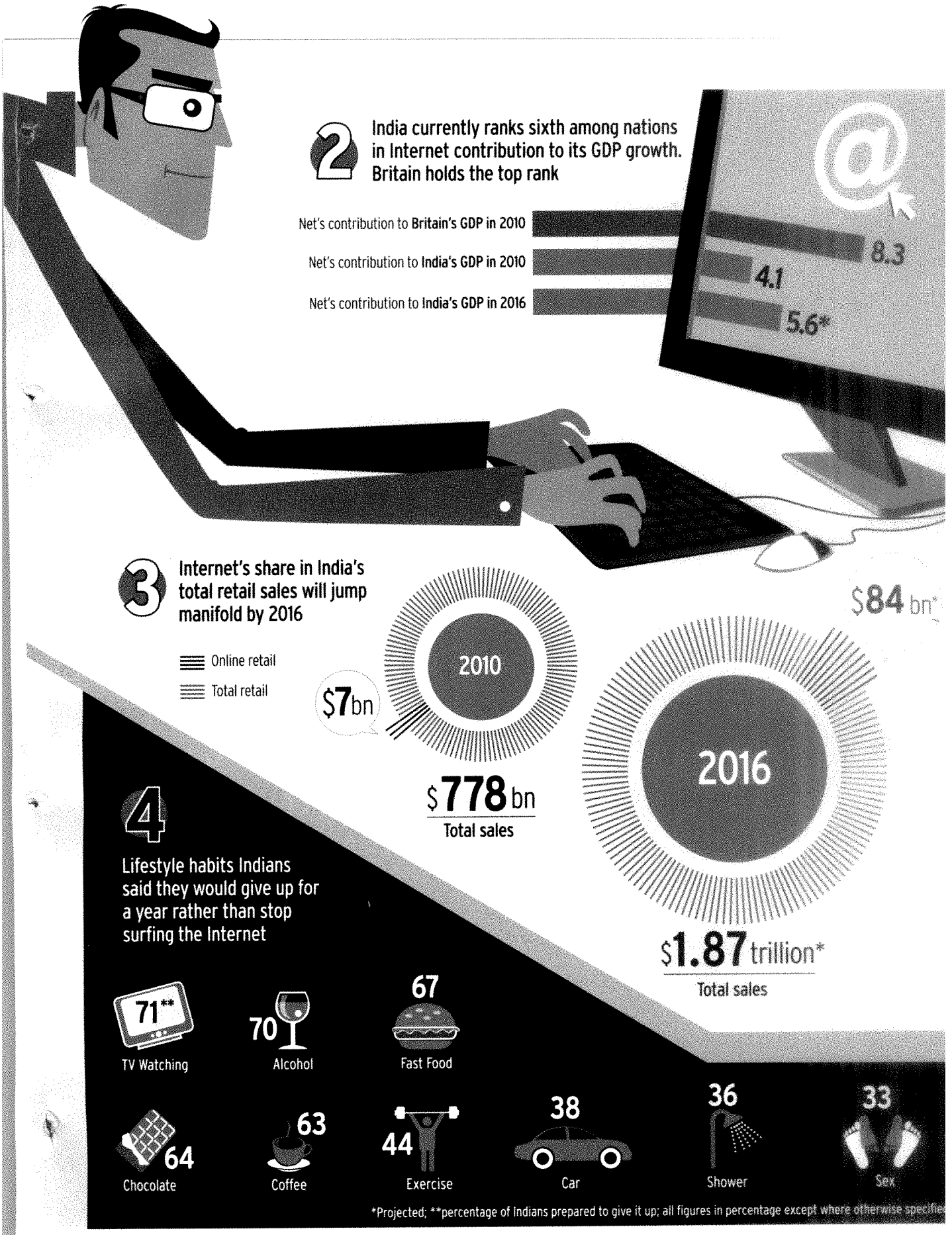
March 2012
Two ex-Major Generals and an IAS officer arrested for their role in the scam, two more IAS officers suspended

MORE MONEY IN THE NET

Internet driven economic growth is set to rise exponentially across the G-20 countries, including India, says a Boston Consulting Group survey

Graphic by **Santosh Kushwaha**




2
India currently ranks sixth among nations in Internet contribution to its GDP growth. Britain holds the top rank
Net's contribution to Britain's GDP in 2010
Net's contribution to India's GDP in 2010
Net's contribution to India's GDP in 2016
8.3
4.1
5.6*
3
Internet's share in India's total retail sales will jump manifold by 2016
Online retail
Total retail
$7bn
2010
$778bn
Total sales
$84bn*
2016
$1.87trillion*
Total sales
4
Lifestyle habits Indians said they would give up for a year rather than stop surfing the Internet
71**
TV Watching
70
Alcohol
67
Fast Food
64
Chocolate
63
Coffee
44
Exercise
38
Car
36
Shower
33
Sex
*Projected; **percentage of Indians prepared to give it up; all figures in percentage except where otherwise specifie

WHAT SETS SRM APART?

That we are India's No.1 Multiple Stream Private University as ranked by India Today?

That our ECE program is accredited by EAC of ABET, USA?

That we placed a record 2336 student in 15 days?

That we have sent 300 students to MIT, Cornell, Madison etc. under Semester Abroad program?

Or the Nobel Quest organized by us that was inaugurated by six Nobel laureates?

YES!

THESE ARE OUR BIG ACHIEVEMENTS.

BUT NOW WE ARE IN A DIFFERENT LEAGUE AFTER OCTOBER 12, 2011: THE DAY WHEN OUR STUDENTS DISPLAYED THEIR INNOVATIVE SPIRIT TO LAUNCH SRMSAT A NANO SATELLITE CROWNING SRM AS INDIA'S FIRST PRIVATE UNIVERSITY TO ACHIEVE THIS FEAT.

OUR STUDENTS ALSO MADE THE NATION PROUD BY CREATING AN AWARD WINNING GREEN AIRPLANE DESIGN AT NASA, USA.

27 years of enlightening lives

SRM UNIVERSITY Since 1985

CAMPUSES: CHENNAI | DELHI

It was truly a moment of pride at SRM University when students from twelve departments unleashed their innovative talent to design and launch a nano-satellite called SRMSAT. The satellite was launched into orbit by ISRO's PSLV-C18 along with Mega-Tropiques satellite, an Indo-French mission.

SRMSAT is now at 865 km earth-orbit monitoring greenhouse gases, carbon-dioxide and water vapour in the tropics.

The SRMSAT weighs 10.9 kg including three solar panels and was built at a cost of Rs 1.5 crore. The students are keeping track of the satellite monitoring its performance through the ground station, they erected at the university. SRM is the first private university in the country to have launched a nano-satellite.

Besides SRM has created award winning green airplane designs at NASA, USA. This places the SRM University in the same league as Purdue University, Indiana University and Georgia Institute of Technology and Indian Institute of Technology, Kanpur.

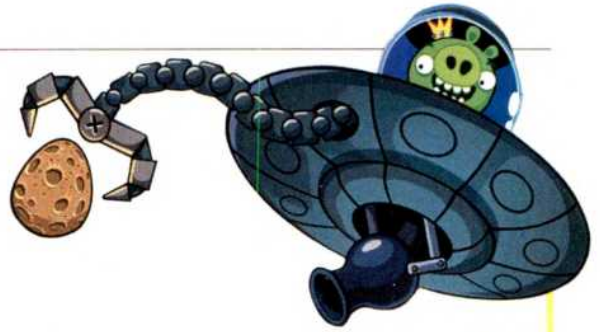
Kudos to our students and thanks to ISRO and NASA

SRM UNIVERSITY
(Under section 3 of UGC Act 1956)

SRM UNIVERSITY, SRM NAGAR, Kattankulathur - 603 203, Kancheepuram Dt., Tamil Nadu, India.
Ph: +91-44-2745 5715, 2745 3433 | Fax: +91-44 2745 3622 Web: www.srmuniv.ac.in

ENGINEERING | MEDICINE & HEALTH SCIENCES | MANAGEMENT | SCIENCE AND HUMANITIES

PLAY THE LATEST ITERATION OF ANGRY BIRDS OR TRY A ROBOTIC VACUUM CLEANER



Winner in this Space

Rovio, the Finnish computer game developer of the Angry Birds franchise, has now come up with Angry Birds Space. Not only is the new game fun with some new birds such as the 'Ice' bird, but it is also a great way of generating interest in the physics of planetary movements. It includes concepts like 'gravity assist', used by deep space missions such as the New Horizons spacecraft currently travelling to Pluto. The game also has a helpful NASA link.

Great physics, new 'angry' birds, lots of new levels

None, really

Angry Birds Space **Price:** $1.99 (iPad), Free (Android)

LG Hom-Bot 2.0 **Price:** ₹43,990

Cool, but Pointless

Okay, so this is one of the coolest products we have reviewed in a while. Those familiar with the Roomba robot in the United States might be unimpressed, but this is a first for India. The Hom-Bot robot vacuum cleaner goes about doing its job efficiently untouched by human hands, bouncing off changes in floor levels, even taking stairs in its stride. The powerful vacuum and copper brushes do a great job. But now for the downside. It is expensive and seems illogical in a country where domestic help is not too expensive. One suspects it works better in homes with wall-to-wall carpeting. Though the robot does a good job of cleaning carpets, it does frequently get stuck on the tassels. Great fun to play with, but seemingly pointless.

Excellent robot vacuum cleaner, avoids obstacles, high 'cool' quotient

Expensive, brushes can get tangled with carpet tassels

COMPILED BY KUSHAN MITRA

www.kohlerindia.com

KOHLER

GENERATING TRUST

SINCE 1920

More than 90 years of overwhelming success and thousands of satiated customers that include residences, industries and commercial premises make KOHLER the most trusted global brand in backup power that has evolved with time and need. At KOHLER it's our constant endeavor to bring to you a product portfolio that caters to the ever growing need of power backup in this 24x7 life.

Come, be a part of a culture that is as old as time and stay uninterrupted in life with our comprehensive range of generators.

Diesel Generator Range: 2.5 - 3000 kVA
Gas Generator Range: 2.5 - 400 kVA

Registered Office: 080 2361 6208 • Bangalore: +91 99805 49530 • Kolkata: +91 98310 31658
Chennai: +91 99403 84499 • Delhi: +91 98181 38555 • Pune: +91 98609 33311

info@kohlerindia.com

Baubles of Change

Curious additions can be seen to the campaign-related paraphernalia being given away by political parties contesting the Delhi civic polls, to be held on April 15. It is not just flags, badges and banners any more, but also trinkets, lipsticks and bottles of nail polish branded with a party symbol. Women voters have clearly begun to matter much more than before.

Collaring Attention

Want to flaunt your super-rich status? Get your dog a diamond collar. A US-based company called I Love Dogs Inc has created, along with master jewellers in New York, a range of diamond-studded dog collars called 'La Collection de Bijoux'. Prices range from $150,000 to 3.2 million – the latter featuring 1,600 diamonds in three rows.

Hunger Shames

Indians are eating less than before, shows a survey by the National Sample Survey Organisation, casting a shadow over claims of economic progress. Average daily consumption stood at 2,020 kilocalories in rural areas and 1,946 kcal in urban in 2009/10, down from 2,153 kcal and 2,071 kcal, respectively, in 1993/94.

HOW THINGS WORK

Circe's Curse Returns

In Greek mythology, Circe was a goddess who could turn men into swine. While that has not happened yet, deadly viruses have surfaced that humans can catch from pigs and pass on to other humans. The disease that results is swine flu. The commonest of the viruses that causes it is called H1N1. There has been a fresh outbreak of swine flu this year, with over 309 cases, including 23 deaths, being reported so far.

Symptoms: Swine flu is a respiratory disease and typical symptoms include fever, sore throat, breathing difficulties, fatigue, etc. However, only a blood test can confirm the virus's presence. It is highly contagious, and if not treated promptly, fatal.

Cure: The generic name of the drug that treats the disease is Tamiflu.

History: Periodic outbreaks of swine flu have been recorded from the early 20th century. However, India was badly hit for the first time only in 2009. Travellers to the United States and Mexico – where it broke out first – brought it back into the country. It persisted for months, spreading rapidly, affecting over 10,000 people and killing 1,833.

Current situation: Pune is worst hit, with 10 deaths and 126 cases reported. Other parts of Maharashtra, as well as Rajasthan, Gujarat, Andhra Pradesh, Karnataka and Tamil Nadu have also reported swine flu cases so far.

COMPILED BY BASUDHA DAS

Institute of Management Technology Dubai

IMT

An MBA Program to challenge your thinking, realise your potential, change your outlook, and shape up your future. This program is distinctive by the virtue of unique advantages it gives to its students. It provides experiential learning with limitless prospects that maps the gap between today's education and tomorrow's career expectations.

Globally accepted MBA Degree

International Exposure

Semester exchange option with 22 Int. Universities

Double Degree Option

WITH IMT GO GLOBAL DUBAI ADVANTAGE

- First-hand exposure to corporate, real world situations
- Accredited by Ministry of Higher Education & Scientific Research, UAE
- Member of EFMD (Europe)
- Well equipped Campus in the heart of Dubai
- Air conditioned Hostel

APPLY NOW

Call us: +91-11-40547047/46

E-mail: admissions-india@imtdubai.ac.ae

Visit us: www.imtdubai.ac.ae

RISKY SHOT

Cricket is losing viewership, so why is Star paying so much for broadcast rights?

By SHAMNI PANDE

ON APRIL 2 LAST YEAR, INDIAN CRICKET WAS ON A HIGH after winning the World Cup. Right through the tournament, stadiums had been packed to the rafters, at least during the India matches. The rest were glued to television sets, transistors and computers, following the action ball by ball. No one was cheering louder than broadcasters and advertisers. With good reason; the real revenue spinners, the one-day internationals featuring India, were a sellout. Broadcaster ESPN-Star Sports earned ₹800 crore in advertising revenue from 49 matches, thanks to the tournament's high viewership. With the high eyeball count giving them value for their money, advertisers were happy to shell it out – even if it meant paying as much as ₹5-6 lakh for a 10-second spot after India reached the quarter-finals. Even on the Test cricket ground, it was a feelgood period – India was sitting pretty as the No. 1 side.

Twelve months on, the story could not be more different. The Test team has lost its No. 1 ranking after getting whitewashed 0-4 twice, first in England and then in Australia. In between, it beat a weak West Indies side at home. On the one-day front, it was knocked out of the tri-series in Australia and the Asia Cup in Bangladesh.

The bigger loss, however, has been of viewers. The India-West Indies series, the last one held in the country, had ratings of around two. In contrast, last year's World Cup garnered average TRPs of 4.5. A TRP of one means one per cent of all television viewers watched a programme. And a TRP of four or more is considered good by advertisers. Some matches featuring India even saw TRPs touch the 14 mark during crucial periods. But a sustained downtrend set in after the World Cup. The Indian Premier League T20 tournament, which began soon after, got a tepid response. The story was the same for other tournaments.

And then, in the midst of the doomsday predictions, Star Group scored big for the Board of Control for Cricket in India (BCCI). The company, a joint venture between two erstwhile rivals, has clinched a ₹3,851-crore deal with the BCCI. The deal will give it television and

digital broadcast rights for six years over all international matches and domestic cricket in India. That works out to around ₹40 crore per match – significantly higher than BCCI's deal with Nimbus for ₹2,000 crore, or ₹32.5 crore per match, that was scrapped.

So, what possessed Star to pay such a premium? "This is a marquee property in cricket because it is on home ground and the Indian team is stronger here," says Uday Shankar, CEO of the Star Group in India. "There is a robust calendar. And, coupled with ESPN-Star's ICC rights from Cricket Australia and the ECB (England and Wales Cricket Board), it makes us the most-favoured destination for cricket."

"If it (cricket) is not commercially viable, then it will not be sustainable," says Anil Dua, Senior VP for Marketing and Sales, Hero MotoCorp, which advertises heavily during most cricket matches. "If the value is high, advertisers will stay."

Even the IPL, which had a high-voltage start five years ago, has seen ad rates moderate. "Marketers are not willing to pay a huge premium," says Navin Khemka, Managing Partner, Zenith Optimedia, a media buying agency. Last season, ad rates settled at ₹5 lakh for a 10-second spot after rising for three years. "This season the rates are unlikely to go up significantly," adds Khemka.

Predictably, SET Max, which broadcasts the IPL, believes all is well. "We expect viewership to increase. There was cricket fatigue last year because the IPL came after the World Cup, which was an emotional roller-coaster for viewers," says Gaurav Seth, Senior VP, Marketing and Communications, SET Max. He adds that the channel has increased marketing spends by 25 per cent from last year.

Like Seth, Bigtree Entertainment founder and CEO Ashish Hemrajani is also upbeat. His firm manages tickets sales and related services for five IPL teams, including Mumbai Indians, Delhi Daredevils and Rajasthan Royals, through ticketing site, BookMyShow.com. "Ticket sales are better than last year and even the merchandising that we handle for the Mumbai team has been very good," he says, without specifying any numbers.

Dwindling Interest

The Indian Premier League no longer draws the viewership it used to

* Figures are average television viewer ratings
Source: TAM Sports

Viewer Fatigue Recent cricket tournaments failed to evoke the frenzy they once did

TOURNAMENT	CHANNEL	PERIOD	AVG TVR
MICROMAX ASIA-2012 India, Pakistan & Bangladesh	**DD1 & Neo Cricket**	Mar 11 to Mar 22, 2012	3.09
CB TRI SERIES-2012 India, Australia & Sri Lanka	**DD1, ESPN & Star Cricket**	Feb 5 to Mar 8, 2012	2.07

A few advertisers will buy IPL time even if viewership falls. "The IPL is the big daddies' game," says Khemka. Brands with big spends go for it.

"We evaluate any property in terms of its ability to offer value. It just so happens that the IPL comes during summer, when our business peaks," says Wasim Basir, Director, Integrated Marketing Communications, Coca-Cola India.

Vodafone, too, is upbeat about IPL. The company was one of the first brands to hop on to the IPL bandwagon and has been an on-ground associate sponsor as well as a presenting sponsor on TV from the first season.

A bilateral series is a different ballgame. The games are longer, viewership is lower, and the ad rate is usually around ₹1 lakh per 10 seconds. For a one-day match against Australia or Pakistan, it spikes to ₹2.5 lakh per 10 seconds, half the amount a spot of similar duration cost in the IPL last year.

When weak teams such as Bangladesh and New Zealand are involved, viewership plummets, as does advertising. Often the revenue does not go beyond ₹8 crore for a match. Perhaps it is not surprising then that bilateral series attract advertisers with budgets as small as ₹50 lakh to ₹1 crore.

"Star has the ability to package things better and may have factored in the upside of digitisation," says R.C. Venkateish, former MD of ESPN-Star Sports in India. Even so, he feels the going will be tough for the broadcaster. "Not all matches are of interest," says Venkateish, who is currently the CEO of direct-to-home carrier Dish TV.

Amar Shankar, Associate Director of Advisory Services at Ernst & Young, a consultancy firm, acknowledges that the list of negatives around the game is rising. But he feels the analysis has to account for the as-yet-small portion of digital rights. "Online and mobile revenues would increase substantially year on year. Today, everyone is looking at content on the move," he says.

Currently, subscription revenues, earned directly from viewers through cable operators and DTH broadcasters such as Tata Sky and Dish TV, constitute just under 15 per cent of the total revenue pie. "Once they have a better handle on content and subscribers, the channel will be able to command a premium. It may be in a position to reduce dependence on advertising revenues," says Shashi Sinha, CEO of Lodestar Universal, a media buying agency.

Star will also be able to promote its more than 30 regional, Hindi and news channels through its sports channels. At least temporarily, this could help it raise viewership of programmes on these channels, as Set Max does for its general entertainment channels, including SAB, Sony and Sony Pix.

"This is a marquee property. It is on home ground and Indian teams are stronger here"

Uday Shankar,
CEO, Star India

So, what does Nimbus Communications founder Harish Thawani, the man who started it all, feel about the shift in the game? "The price of cricket is like that of a painting. The value lies in the eye of the beholder," he says. Except that the company had bought the rights in the hope of making a profit.

But cricket is a strange game. Just when it seems to be in decline, it manages to bounce back. One victory changes everything and all the bad memories are wiped clean, says Coca-Cola India's Basir. And Uday Shankar will be hoping for just that. ◆

ADDITIONAL REPORTING BY DEARTON THOMAS HECTOR

Send your comments to editor.bt@intoday.com

Srei financed equipment to build Delhi - Gurgaon expressway

FLY TO THE AIRPORT

Srei finances equipment and projects for expressways, bridges, power plants, ports, mining, telecom and all other infrastructure.

- Since 1989, Srei has been financing, advising and developing infrastructure across India
- Presently consolidated asset under management of over ₹ 29,000 crore
- From large corporates to small contractors, Srei has partnered and financed over 30,000 customers

---

SREI We make tomorrow happen

SREI BNP PARIBAS

HOLISTIC INFRASTRUCTURE INSTITUTION

Infrastructure Project Finance, Advisory and Development | Infrastructure Equipment Finance | Sahaj e-Village | Venture Capital | Capital Market | QUIPPO - Equipment Bank | VIOM - Telecom Towers | Insurance Broking

Srei Infrastructure Finance Limited. Regd Office: 'Vishwakarma', 86C, Topsia Road (South), Kolkata - 700046.
▪ Tel: +91 33 6160 7734 / 6602 3000 ▪ Fax: +91 33 2285 7542 / 8501 ▪ E-mail: corporate@srei.com

Laid Low By The Budget

The latest *Business Today*-C *fore* Business Confidence Survey reveals a guardedly positive mood swing, but Budget 2012/13 is set to ruin it.

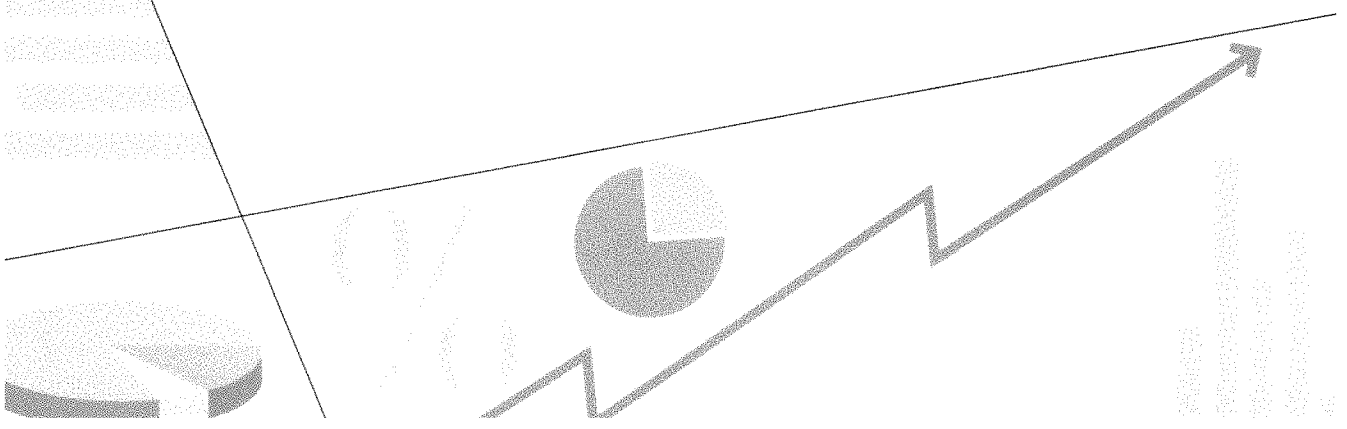
By **SHWETA PUNJ**

Business confidence, which had just begun to recover, took a fresh hit with the unveiling of Budget 2012/13, as corporate houses grappled with the uncertainty and the impact of the new tax policies.

The New Year was to have been about new opportunities. There was hope that after a volatile 2011, 2012 would see the start of reform-focused growth. But a year that began on a guardedly optimistic note has quickly slipped back into pessimism.

Business Today-C *fore*'s latest Business Confidence Index (BCI) survey, which sought responses from 500 chief executives and chief financial officers across 12 cities, shows a minor improvement in business sentiment, compared to the last quarter of 2011. (See *www.businesstoday.in/bci3-2012*). The BCI for the January to March 2012 quarter is 55.4 on a scale of 100, marginally higher than it was for the October to December 2011 quarter – 52.3. However, it is still way below the 74.8 mark of the first survey, in January-March 2011.

But after Budget 2012/13, the mood is threatening to turn bleak again. The survey has 61 per cent of the respondents saying the Budget



Muted Optimism

Confidence levels have risen, but marginally

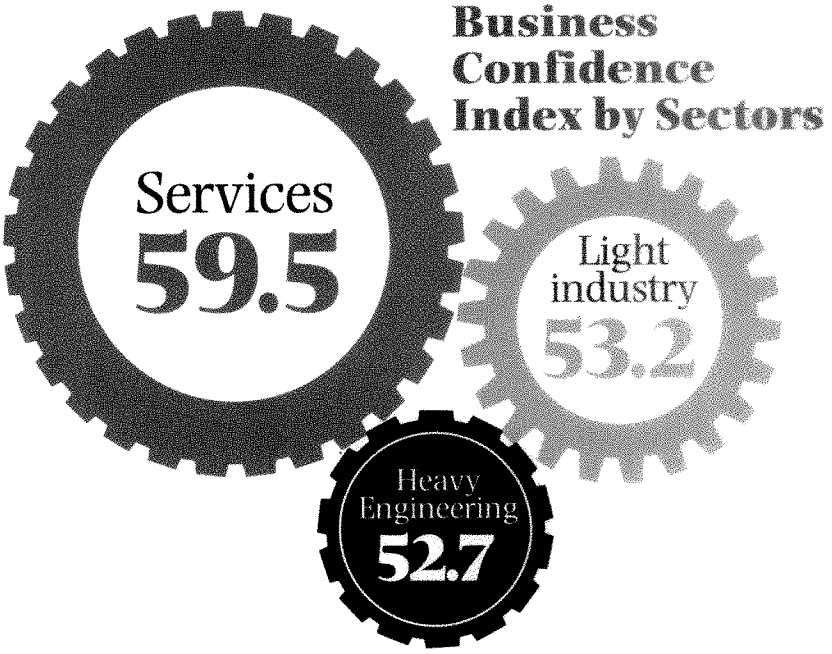
Jan-Mar '11	Apr-June '11	July-Sept '11	Oct-Dec '11	Jan-Mar '12
74.8	64.4	56.8	52.3	55.4

would have no impact on their company's performance in the April to June quarter, while 24 per cent said it would make things moderately worse. Proposals such as the provision for retrospective amendments to income tax laws, the General Anti-Avoidance Rules (GAAR) and the hike in service tax and excise duty, together with the absence of any substantial measure seeking fiscal consolidation, have left industry deeply disappointed.

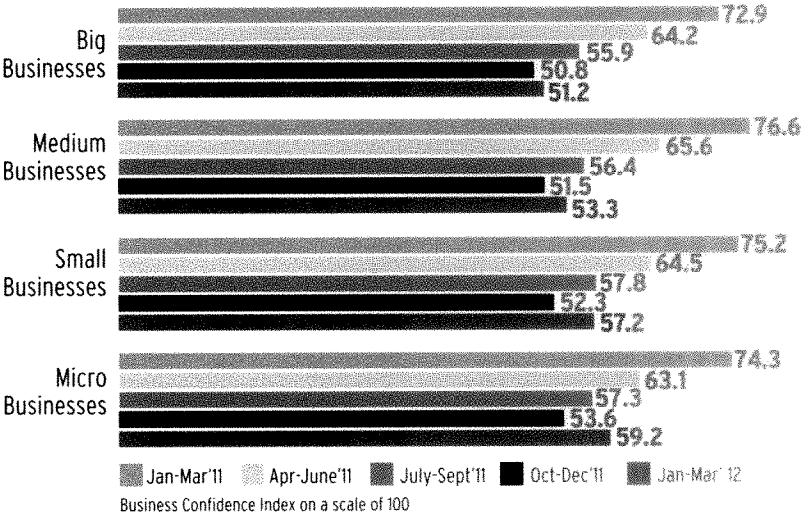
Not surprisingly, the outlook for the April-June 2012 quarter is somewhat grim. Nearly 44 per cent of the respondents said they expected sales to drop further during this period, while 49 per cent were certain that they would see no change in their profits. Almost 59 per cent said the economic prospects for their specific business would worsen, while 62 per cent said the overall economic situation was set to slide. (See *Worst Yet to Come?* Page 40).

The financial year that just ended was undoubtedly a tough one. In its latest report on April 3, credit rating agency CRISIL says the annual default rate of the entities on its radar touched a 10-year high of 3.4 per cent in 2011/12. There were 188 defaults in all, the highest ever in a year. "Weak liquidity caused by elongation of working capital cycles is the primary

Business Confidence Index by Sectors



BCI by Size



"The silver lining is that if inflation stabilises, we could see rate cuts this year and that would boost investment"

D.K. Aggarwal, CMD, SMC Investment and Advisors

reason for the defaults," says Roopa Kudva, Managing Director and CEO, CRISIL, in the report. "This trend is likely to persist with slowing demand."

India's ballooning fiscal deficit, 5.9 per cent of the gross domestic product (GDP) in 2011/12, is a daunting concern the Budget has done little to allay. "We are looking at 2012 with extreme caution and a prayer on our lips," says Rajiv Kumar, Director General of the Federation of Indian Chambers of Commerce and Industry (FICCI). Many worry that the fiscal deficit might eventually be higher than the targeted level of 5.1 per cent for 2012/13. "It is a concern if high fiscal deficit is not addressed," says Ramesh Swaminathan, Chief Financial Officer of pharmaceutical firm Lupin. "But if it is addressed it could lead to an increase in prices."

Fiscal consolidation is closely linked with the cost of financing which businesses say has been hurting their competitiveness for almost a year. Among respondents to the survey, 45 per cent expected the cost of external finance to get moderately to substantially worse, while 47 per cent said it would stay unchanged. Some feared the rupee could depreciate again as it did in 2011. "The balance of payments situation is pretty alarming," says Swaminathan. "There has been a dip in the last quarter, which means the rupee is going to depreciate. That means imports are going to get expensive."

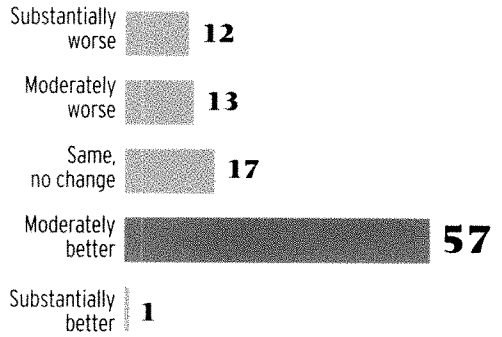
The two percentage point increase in both service tax and excise duty announced in the Budget has provoked fears of inflation which could dent demand. Like many other sectors, real estate, going through a difficult patch, faces a dilemma. "If an affordable apartment's cost is currently ₹17 lakh, its end price will go up by five per cent straight away," says V. Madhu, Managing Director of Bangalore-based realty company, Provident Housing Ltd. "But we risk losing the demand if we pass on all costs to customers. So we will try to absorb part of it in our margins."

The business environment is going to get tougher. "I am not sure where the growth impulses will come from," says Kumar of FICCI. "Things are not looking good."

Some optimists, however, maintained the economic scenario could improve in the latter part of the year. "From the third quarter of this calendar year, the economy will get a boost," says D.K. Aggarwal, Chairman and Managing Director, SMC Investment and Advisors. "We will see rate cuts and that will boost confidence and investment." But rate cuts will depend on inflation stabilising, of which there is no sign yet. Finance

KEEPING FING

Economic conditions in Jan-March quarter*



Availability of finance in Jan-March quarter*

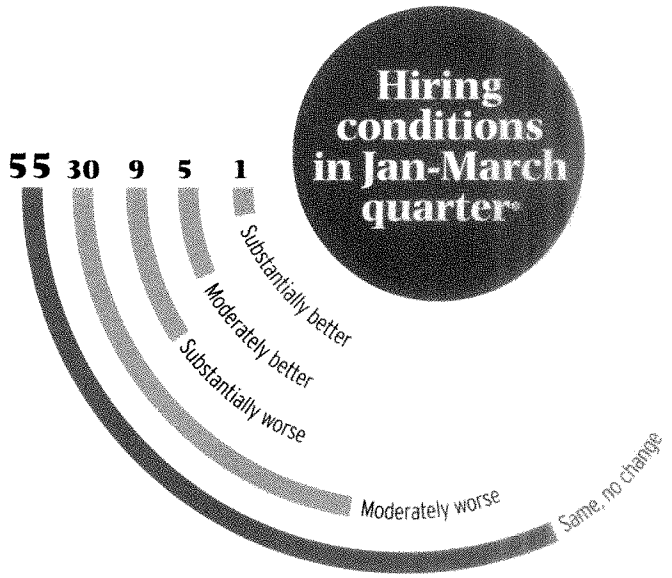
WORST YET TO

Prospects of business in the next quarter, April-June**

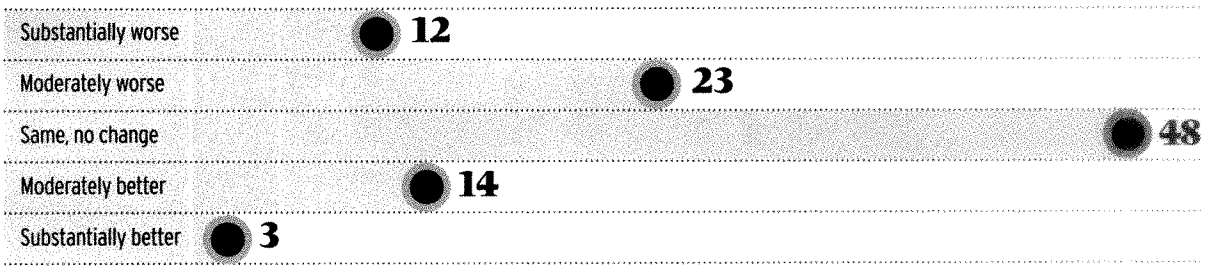
ERS CROSSED

Demand conditions in Jan-March quarter*

Hiring conditions in Jan-March quarter*



Profit margins in Jan-March quarter*



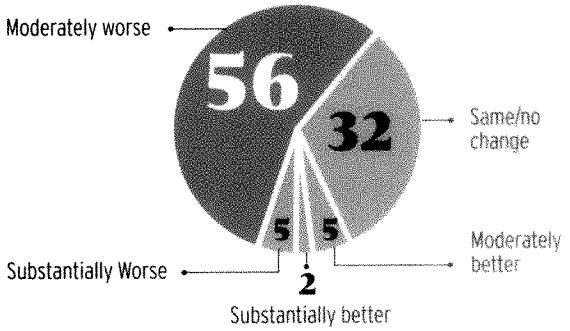
Figures are percentage of respondents
*All figures are in comparison with Oct-Dec quarter

COME?

Economic situation in April-June quarter**

Substantially worse	8
Moderately worse	54
Same, no change	34
Moderately better	3
Substantially better	1

Business situation in April-June quarter**



Figures are percentage of respondents
**All figures are in comparison with Jan-Mar quarter

CALCUTTA CENTRAL LIBRARY

"We are looking at 2012 with extreme caution and a prayer on our lips"

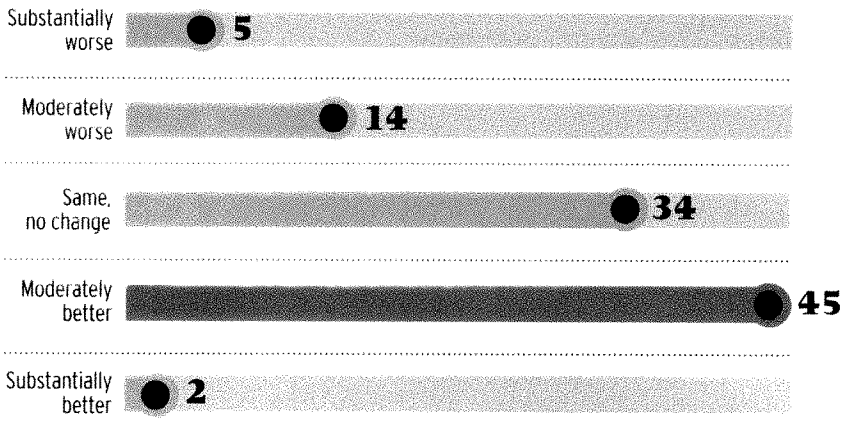
Rajiv Kumar, Director General, Federation of Indian Chambers of Commerce and Industry

Minister Pranab Mukherjee indicated in his Budget speech that the government would be comfortable with six per cent inflation. The wholesale price index rose by 6.95 per cent in February.

Though the consumer non-durable goods sector is still growing robustly – 41.1 per cent in January this year compared to the same month a year ago – most other economic indicators have been subdued. Industrial output data for January shows the capital goods sector shrank 1.5 per cent in the same month. Even so, this was an improvement over December 2011, when it saw a decline of 16.3 per cent. GDP growth estimates are repeatedly being scaled down, and the current view – with final figures still awaited – is that India will have grown at 6.9 per cent in 2011/12. That is quite a comedown from the start of the financial year, when the growth projection was nine per cent.

ADDITIONAL REPORTING BY GEETANJALI SHUKLA AND K.R. BALASUBRAMANYAM

Availability of finance in April-June quarter*

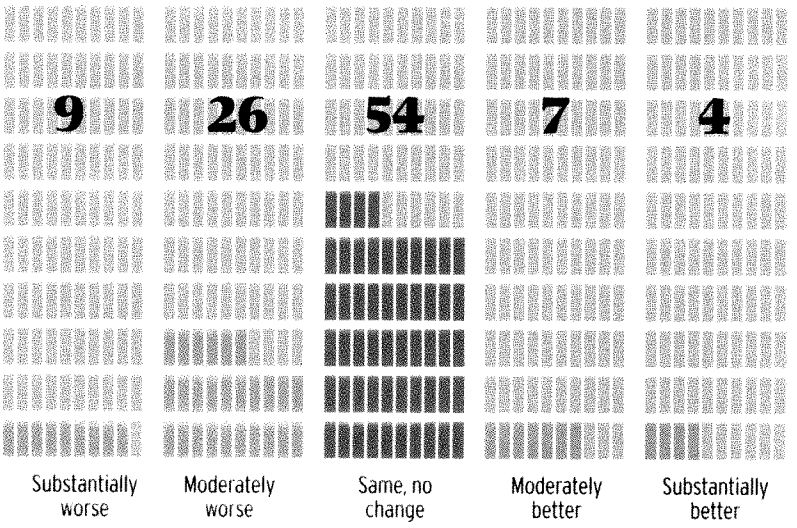


Figures in per cent

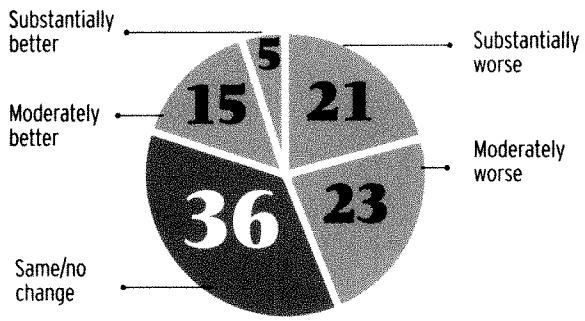
Cost of external finance in April-June quarter*

Figures in per cent

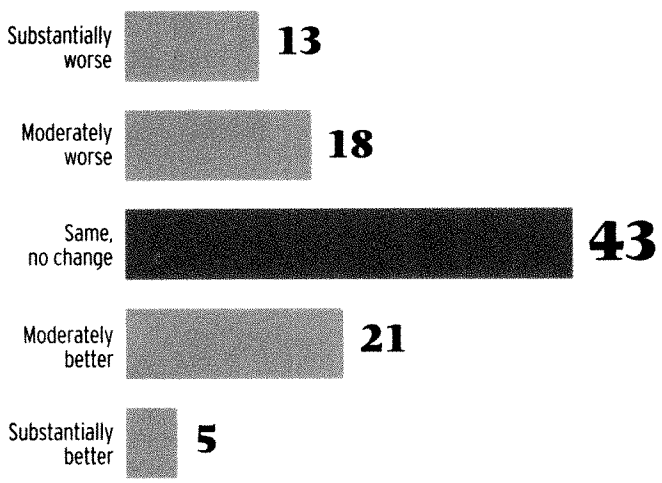
Production levels in April-June quarter*



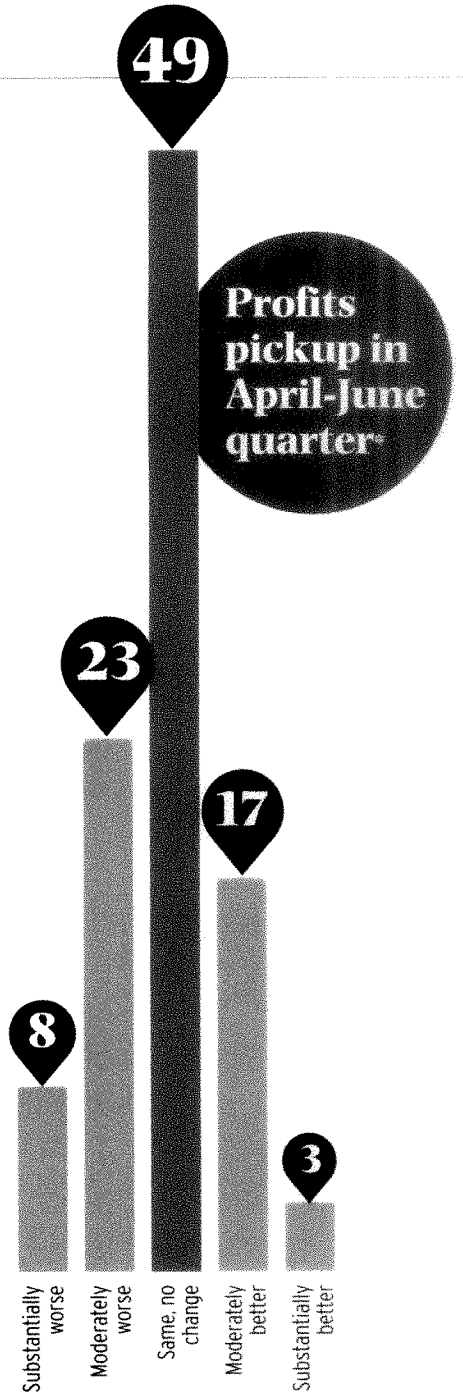
Sales pickup in April-June quarter*



Hiring pickup in April-June quarter*



Profits pickup in April-June quarter*

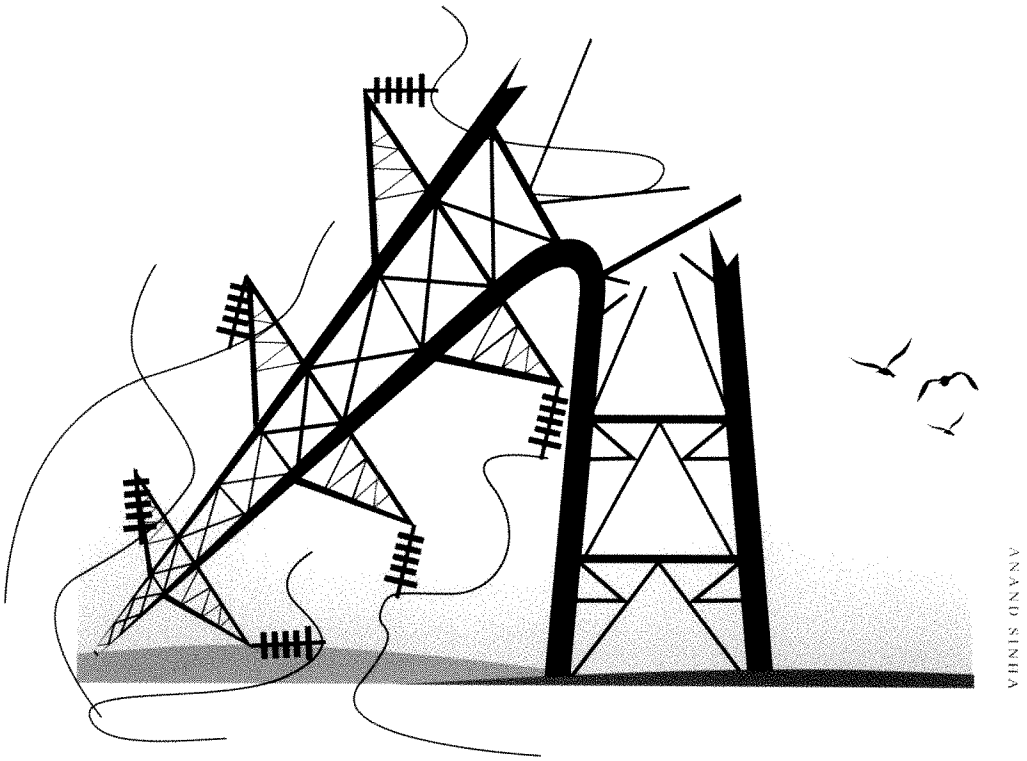


Figures in per cent

*All figures are in comparison with Jan-Mar quarter

METHODOLOGY

Market research agency C fore conducted the survey for the January to March quarter. The field work was carried out in the month of March. A structured questionnaire was administered to CEOs/CFOs of companies. In all, 500 CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities - Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneswar. The companies were segmented based on their turnover as well as products. Those with a turnover of over ₹500 crore have been termed as big, those between ₹100 crore and ₹500 crore as medium, those with less than ₹100 crore as small and those with less than ₹5 crore as micro businesses.



Where the Fault Lies

There are enough power plants, but fuel shortages and bankrupt utilities are ruining industries.

By K.R. BALASUBRAMANYAM

Vishnu Vardhan, 24, had never bargained for this when he decided to turn entrepreneur. A fresh management graduate from Wales in the United Kingdom, he set up a small unit in Coimbatore, Tamil Nadu, six months ago to make motors. First, he found himself facing 10 hours of power shutdown every day. Then came another shock: there would be a second weekly 'power holiday', starting March 1. Industrial consumers would get power only five days a week. "I am managing with a diesel generator set rented at a cost of ₹2,500 for seven hours," he says. The additional expense has increased his costs, apart from adversely affecting production.

The story is the same with most small manufacturers in Coimbatore. It is even worse for makers of tiny components, most of whom cannot afford the added expense of running diesel sets. For the likes of Vardhan too, diesel sets can only be a temporary recourse, since their power costs between ₹15 and 19 per unit, while grid power costs ₹5.

The situation in Coimbatore is a microcosm of what is happening across Tamil Nadu. The state, whose power sector was reasonably well managed till 2004, has seen a reversal in recent times, with peak shortage touching 2,886 megawatts (MW) in February, or 24.3 per cent. Even a year ago, in February 2011, the peak shortage was 865 MW, or 7.7 per cent.

The situation in the rest of South India, or any other part of the country, is no better. Like Tamil Nadu, Andhra Pradesh too has enforced two weekly power holidays for industries. Agriculture has also been hit, with the state unable to supply sufficient power to pump water to the fields, after the north-east monsoon failed last year. "The fill rate, or the extent to which shop shelves are restocked following sales, slipped to 90 per cent in February for vegetables and rice, from 96 per cent earlier," says S. Jagdish Krishnan, COO, Retail and Bakery Divisions, Heritage Foods.

In Karnataka, the tribulations of the Toyota Kirloskar Motor auto plant on the outskirts of Bangalore, tell a typical story. Every time the power supply trips, a bunch of cars under production turn into scrap.

"As soon as power trips, car bodies passing through the electrodeposition process fail the quality assurance test," says Shekar Viswanathan, Deputy Managing Director (Commercial), Toyota Kirloskar. Last year, between March and August, the company lost 73 vehicles worth ₹6.2 crore. In the next six months from September, it has lost a staggering 830 vehicles worth ₹56.9 crore. Karnataka has declared a weekly holiday for industries and banned private generating companies from selling power outside the state.

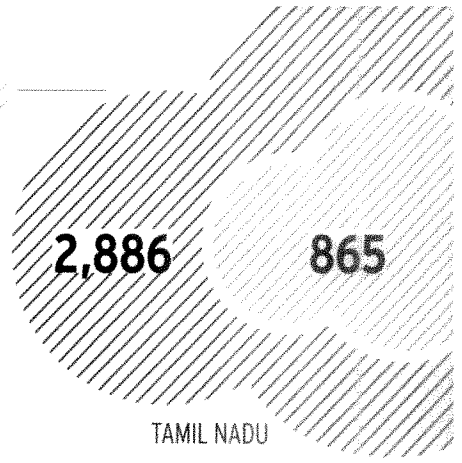
Why has this situation arisen? Not for lack of new generation projects. The country is estimated to have added fresh capacity of 53,922 MW during the Eleventh Five-year Plan period, which ended in March, more than twice the amount of 21,180 MW, added during the Tenth Plan. But all the new plants are working below capacity because they are not getting enough coal or gas. "The total capacity of power projects impacted by fuel issues would be around 43,000 MW," says Ashok Khurana, Director General of the Association of Power Producers (APP), and former additional secretary in the power ministry.

The coal shortage in the country in 2011/12 was around 54 million tonnes, the generation loss due to which was 8.73 billion units in the first 11 months up to February, says an estimate of the Central Electricity Authority (CEA). In the same period during the last financial year, the loss was 6.87 billion units. On the last day of February, 34 thermal plants across the country had coal stocks for barely a week.

Coal shortage has dogged the country for years, but power producers claim this level of scarcity is unprecedented. "In four years, domestic coal prices have shot up 40 per cent, while imported coal prices have gone up 150 per cent," says Khurana.

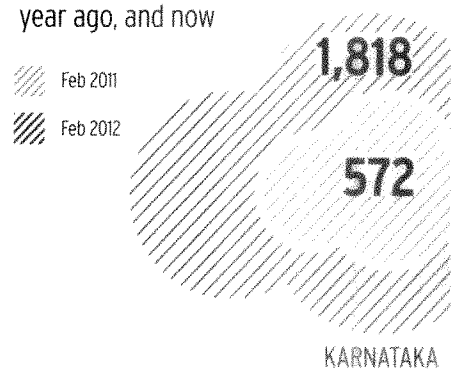
The Centre finally acted in the first week of April, issuing a Presidential directive to Coal India Ltd (CIL) – which provides the bulk of domestic coal supply – to meet 80 per cent of its supply commitments to the power sector, under the pain of penalty. Earlier, milder efforts to pressure CIL had not worked: a late February initiative by the Committee of Secretaries, for instance, to get CIL to sign fuel supply agreements with the new projects commissioned during the 11th Plan period came to naught, as the company's independent directors opposed it strongly. "The state governments need to address the power problem, though we are trying our best to help them," says Union Power Minister Sushil Kumar Shinde. (See also *www.businesstoday.in/coalshortage.*)

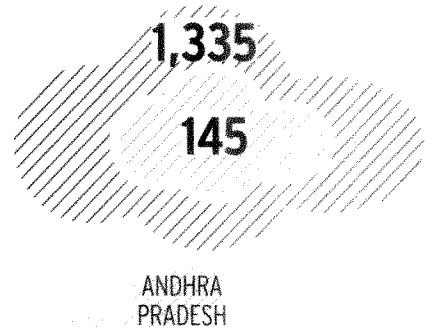
There is little hope from natural gas either. Gas plants in the South are already operating at half their capacity, while production at the KG D6 basin in Andhra Pradesh has been steadily falling for the last two years and now stands at 34 million metric standard cubic metres per day (mmscmd). "The availability of gas from KG D6 is expected to continuously decline in 2012/13 and 2013/14," Jaipal Reddy, Union Petroleum and Natural Gas Minister, told the Rajya Sabha on March 20. From 43 mmscmd in 2011/12, gas production is likely to drop to 15 mmscmd in 2012/13 and 11 mmscmd in 2013/14. Gas-

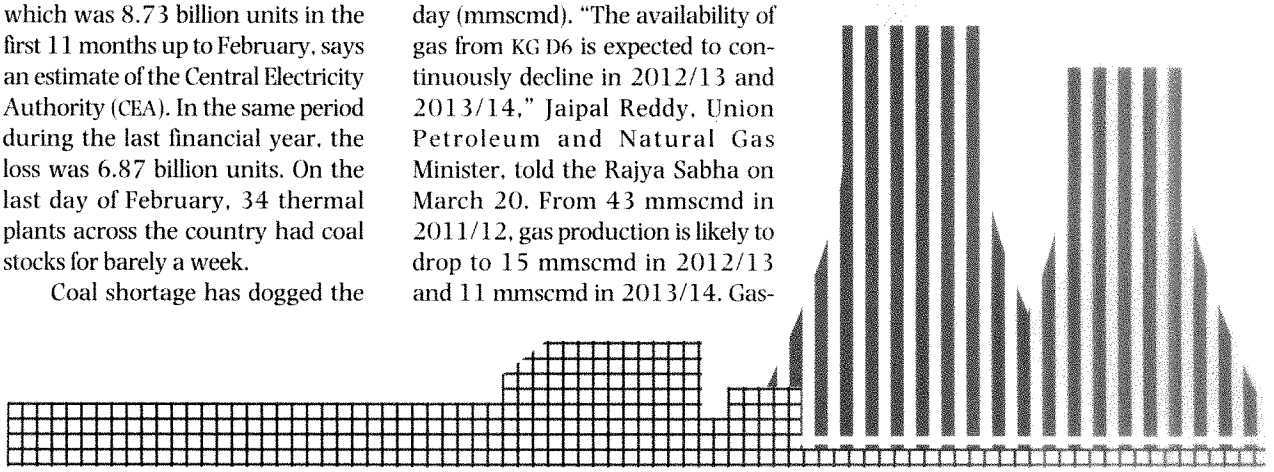


GETTING WORSE

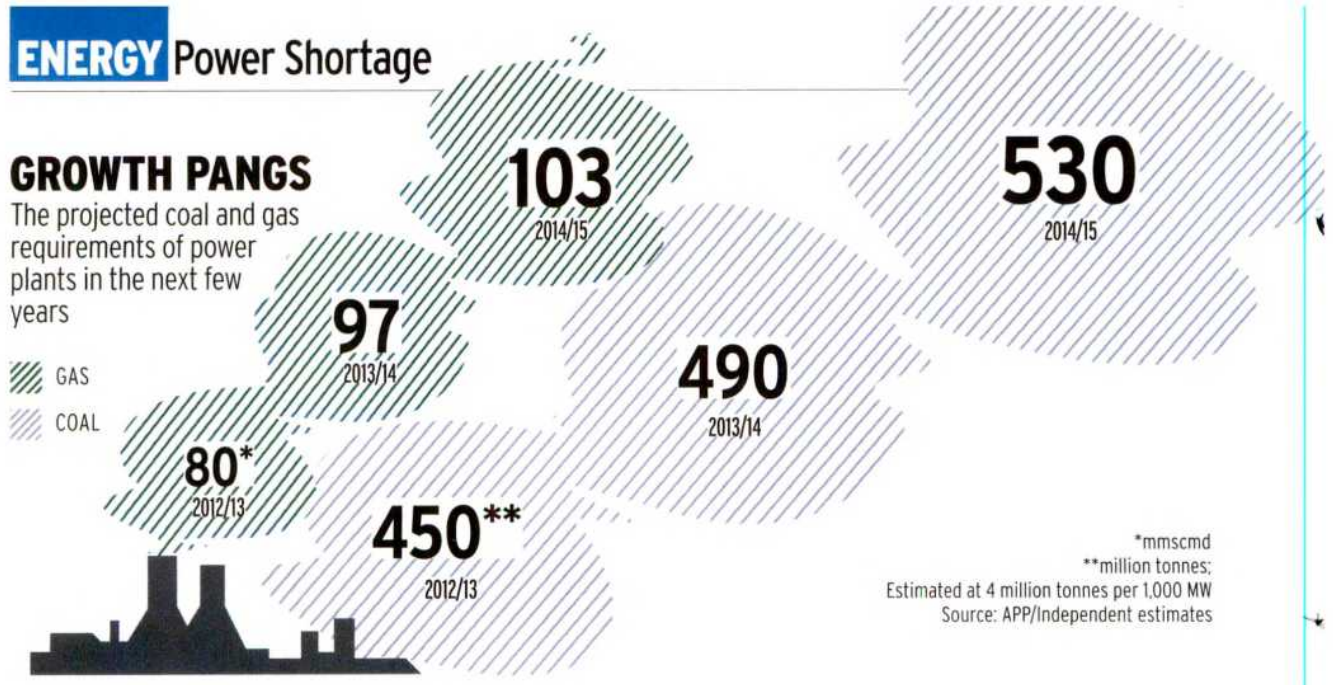
The power shortfall in MW in three southern states a year ago, and now







Source: Central Electricity Auth



based plants with a capacity of 9,860 MW are expected to go on stream in 2012/13, which will need about 25 mmscmd of gas, but where it will come from is anybody's guess. On March 19, the CEA issued an advisory asking developers not to plan any gas-based projects till 2015/16, since no additional domestic gas will be available till then.

Worse, most state-owned distribution companies are in such bad shape they cannot afford to buy more power, especially if power producers seek slightly higher tariffs. The actual cost of generation at the first unit of Tata Power's Mundra ultra mega power project in Gujarat has shot up after coal imports became more costly, but the states buying its power have refused to absorb the extra cost.

All stakeholders have turned cautious. The APP points out that 50 per cent of power sector loans sanctioned have not yet been actually drawn by the loan seekers. Even the big guns among consumers are hedging their bets. "We will not be adding capacities in the manufacturing facilities where power cost is a significant component of product cost," says Mithun Chittalappilly, Executive Director of the ₹1,000-crore, Kerala-based V-Guard Industries.

Are there any solutions? One way out is that used by the Opto Circuits plant in Bangalore, which has eschewed grid power altogether, spending ₹25,000 per day instead on diesel. "We don't use grid power at all as any interruption in power supply will damage our machinery," says Muniswamy Srinivas, Finance Head, Opto Circuits. But given the high cost of diesel power this remains an unfeasible option for most. "Countries such as Thailand, China and South Korea supply cheap power to industry to push up exports," says energy expert V. Raghuraman. "How will Indian manufacturing compete with these countries in the global marketplace?"

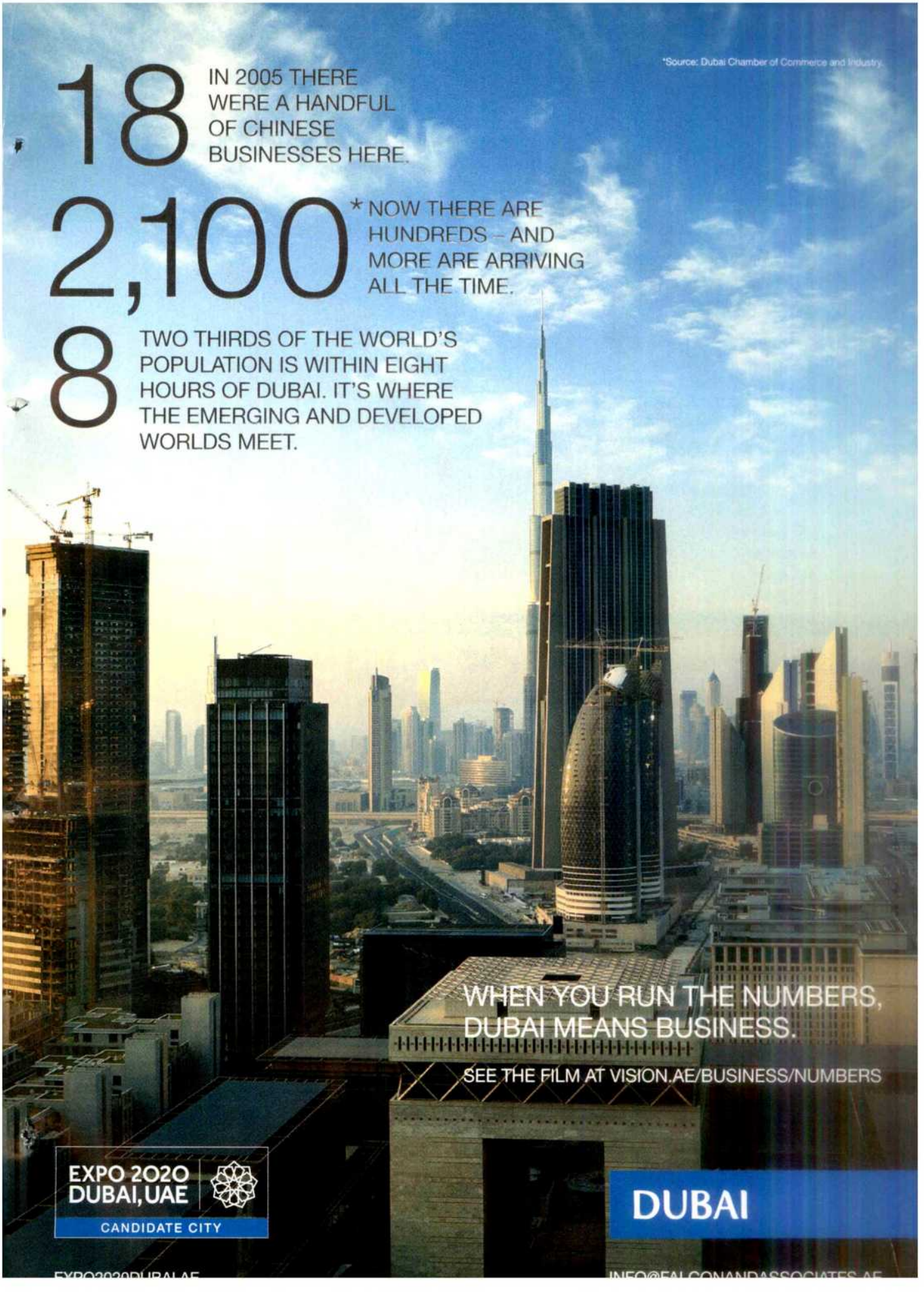
One small section of industry, however, is smiling: the manufacturers of diesel generator sets and inverters. V Guard also makes inverters, the sales of which shot up 340 per cent in the first 11 months of 2011/12, compared to the same period last year. "We are not able to meet the demand," says Chittalappilly. ◆

Darkest hour: Workers at a small scale unit in Coimbatore using battery-powered lamps during a power cut

DEEPAK G. PAWAR

ADDITIONAL REPORTING BY G. SEETHARAMAN, E. KUMAR SHARMA AND ANILESH S. MAHAJAN

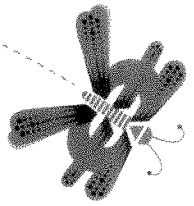
Send your comments to editor.bt@intoday.com


*Source: Dubai Chamber of Commerce and Industry.
18
IN 2005 THERE WERE A HANDFUL OF CHINESE BUSINESSES HERE.
2,100*
NOW THERE ARE HUNDREDS – AND MORE ARE ARRIVING ALL THE TIME.
8
TWO THIRDS OF THE WORLD'S POPULATION IS WITHIN EIGHT HOURS OF DUBAI. IT'S WHERE THE EMERGING AND DEVELOPED WORLDS MEET.
WHEN YOU RUN THE NUMBERS, DUBAI MEANS BUSINESS.
SEE THE FILM AT VISION.AE/BUSINESS/NUMBERS
EXPO 2020 DUBAI, UAE
CANDIDATE CITY
DUBAI

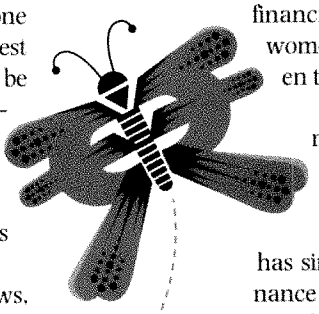
INDIA's BEST CFOs

Picking winners in such a competitive field is tough, but here is how we did it.

By ALOKESH BHATTACHARYYA



In trying economic conditions, it is the chief financial officer (CFO) that the CEO and the company look to for quick fixes as well as long-term strategic direction. If one could pick the brains of the country's best CFOs, many a nugget of wisdom would be unearthed. And so, as the *Business Today*-YES Bank Best CFO Survey & Awards entered its third year, we decided to use the platform to share the winning CFOs' views on how they manage company finances when times are tough.



Of course, in order to get the CFOs' views, we first have to find them – a process that is exhaustive as well as exciting. Every year, the best CFOs survey brings some changes. This year, we introduced two new awards – Best CFO of an MNC, and Best Woman CFO. The CFO of a multinational company needs to manage his responsibility to the parent company while keeping local markets and needs in mind. And the award for best woman CFO will not only recognise the financial wizardry of the current generation of women CFOs, but also encourage more women to aspire to that role.

Intense competition among peers means that each year's roster of winners differs significantly from the previous one. For instance, last year's overall winner, L&T, whose CFO Y.M. Deosthalee has since moved up to become CMD of L&T Finance Holdings, could not make it to the second round this year. Ditto Maruti Suzuki, which was edged out in its sector, though it did make the top 10 MNCs list. One of the factors that hurt Maruti's chances was a fall in profitability, an area where rival Tata Motors excelled.

For starters, the *BT*500 listing of India's

Exemplary All Round Performance + Best Transformation Agent (Large Companies)
C. RAMAKRISHNAN CFO, Tata Motors

Sustained Wealth Creation
(Large Companies) JAYESH MERCHANT
CFO & Company Secretary, Asian Paints
(Midsize Companies) RAVI S. GUPTA
Director-Finance & CFO, Jubilant FoodWorks

Remarkable Leverage Management
(Large Companies) RAMESH SWAMINATHAN
President, Finance & Planning, Lupin
(Midsize Companies) V. RAMESH
President - Abrasives, Carborundum Universal

Consistent Liquidity Management
(Large Companies) SESA GOA
(Midsize Companies) AMIT B. JAIN
CFO, Zydus Wellness

Best Transformation Agent (Midsize Companies)
N.H. BHANSALI
CEO Finance, Strategy & Business Development, Emami

Best CFO of an MNC
SHOBINDER DUGGAL
Director, Finance & Control, Nestlé India

Best CFO of a PSU
ASOK KUMAR SINHA
Director-Finance, Coal India

Best Woman CFO
JYOTSNA SHARMA
CFO, VP-IT, NRB Bearings

Enhancing Competitiveness through M&A
V.S. PARTHASARATHY
Group CIO, EVP-Group M&A, Finance & Accounts, Mahindra & Mahindra

Commitment To Triple Bottom Line
S. MAHALINGAM
CFO & ED, TCS

SHEKHAR GHOSH

From left, Amit Kumar, Bhaskar Chatterjee, Vivek Pandit, Aditya Ghosh, Bibek Debroy, Chaitanya Kalbag and Mick Gordon

most valuable companies – ranked by market capitalisation – was taken as the respondent base. For the woman CFO category, we considered the *BT*1000 to get more names in. The award is aimed at inspiring more women to join the finance function.

In phase one, the companies' financials over the past three fiscal years were analysed threadbare across multiple metrics. Then, peer comparison was done, and top performers from each sector were shortlisted for the next round. In phase two, market research firm Ipsos India undertook a perceptual survey of fund managers and brokers to assess factors such as corporate governance practices, and stock performance. The Triple Bottom Line (or corporate social responsibility) category was assessed by a separate panel of experts.

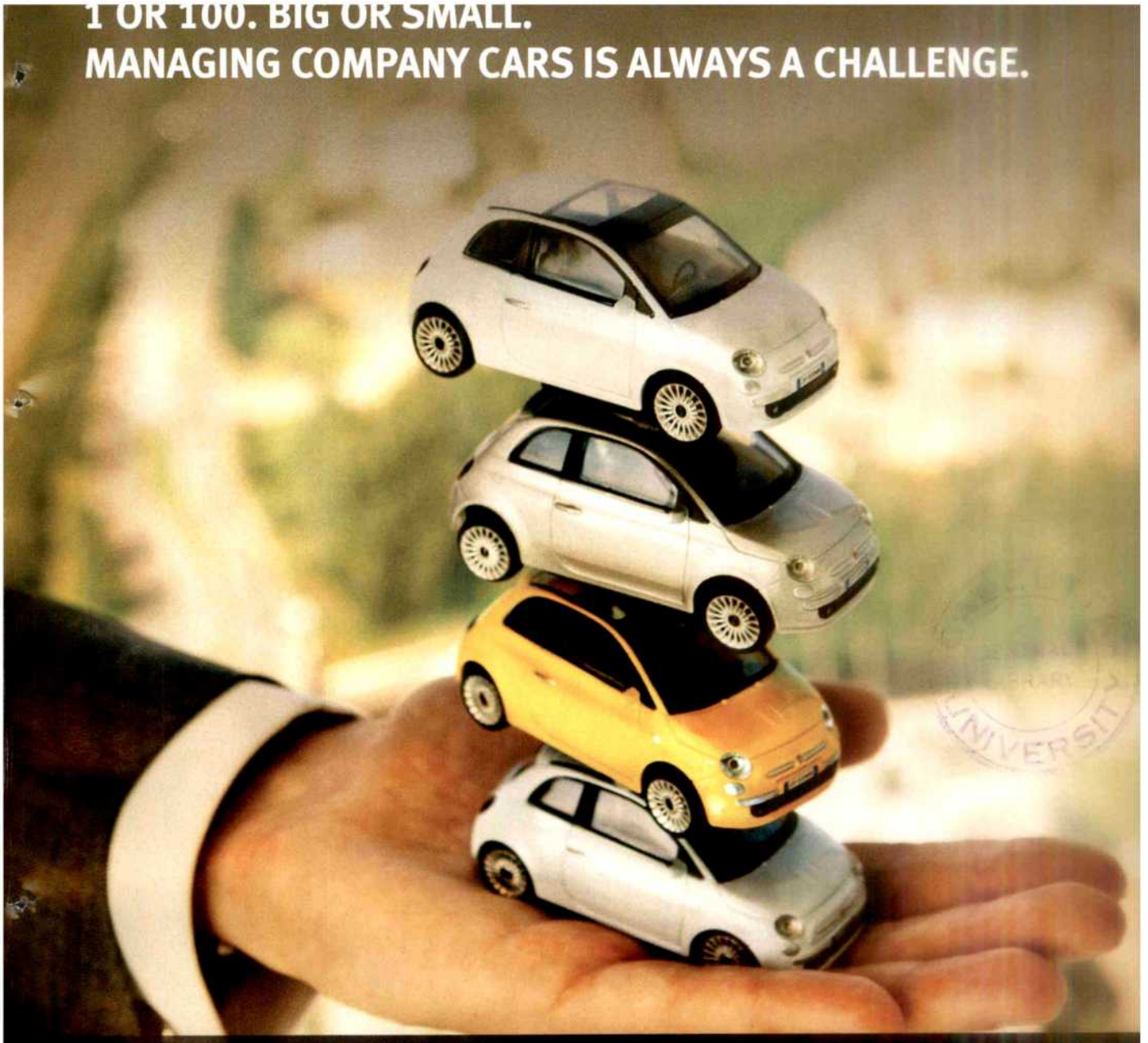
This year, for the first time, we combined the companies' scores in phases one and two, using 50:50 weightage. After eliminating companies where the CFO had changed within the past three financial years, we arrived at the top three nominees in each category. This condition was relaxed for the women CFOs.

The winners were decided by an eminent jury, which comprised Bibek Debroy, Professor at the Centre for Policy Research, Aditya Ghosh, President of IndiGo, Bhaskar Chatterjee, Director General and CEO of the Indian Institute of Corporate Affairs, Vivek Pandit, Director at McKinsey & Company and Mick Gordon, CEO of Ipsos India. Amit Kumar, Senior President & Country Head, Corporate and Institutional Banking, YES Bank, and *Business Today* editor Chaitanya Kalbag were moderators.

Each jury member brought to the table his insight into the companies, the markets they operated in, and the competitive landscape, making for a stimulating discussion. And although some companies were nominated in multiple categories, the jury managed to pick a different company for each award. Only Tata Motors won two awards, Best Transformation Agent (large companies) and the overall award. The jury felt that CFO C. Ramakrishnan's exemplary handling of the Jaguar Land Rover acquisition, introduction of innovative products, efficiencies in working capital management, cost reduction and improved channel management along with CSR initiatives, helped him stand out.

Like last year, the jury had good suggestions this year, too, to improve the survey process. But we will save those for next year. Till then, enjoy the spread on the following pages – a profile of Ramakrishnan, pearls of wisdom from winning CFOs, and a fascinating story on "virtual CFOs". What's that? Read on to find out.

1 OR 100. BIG OR SMALL.
MANAGING COMPANY CARS IS ALWAYS A CHALLENGE.



DISCOVER THE EASE OF LEASE!

LeasePlan's operational lease solution works on 'usage' rather than 'ownership' of company cars. Cars are leased to you along with the management of maintenance, insurance, damage repairs and a host of other services.

When it comes to company cars, LeasePlan delivers significant cost savings, reduced administration and increased convenience.

Simply put, you focus on your business, while we manage your company cars. To know more, email us at lpininfo@leaseplan.co.in or call us on 1860-500-5050

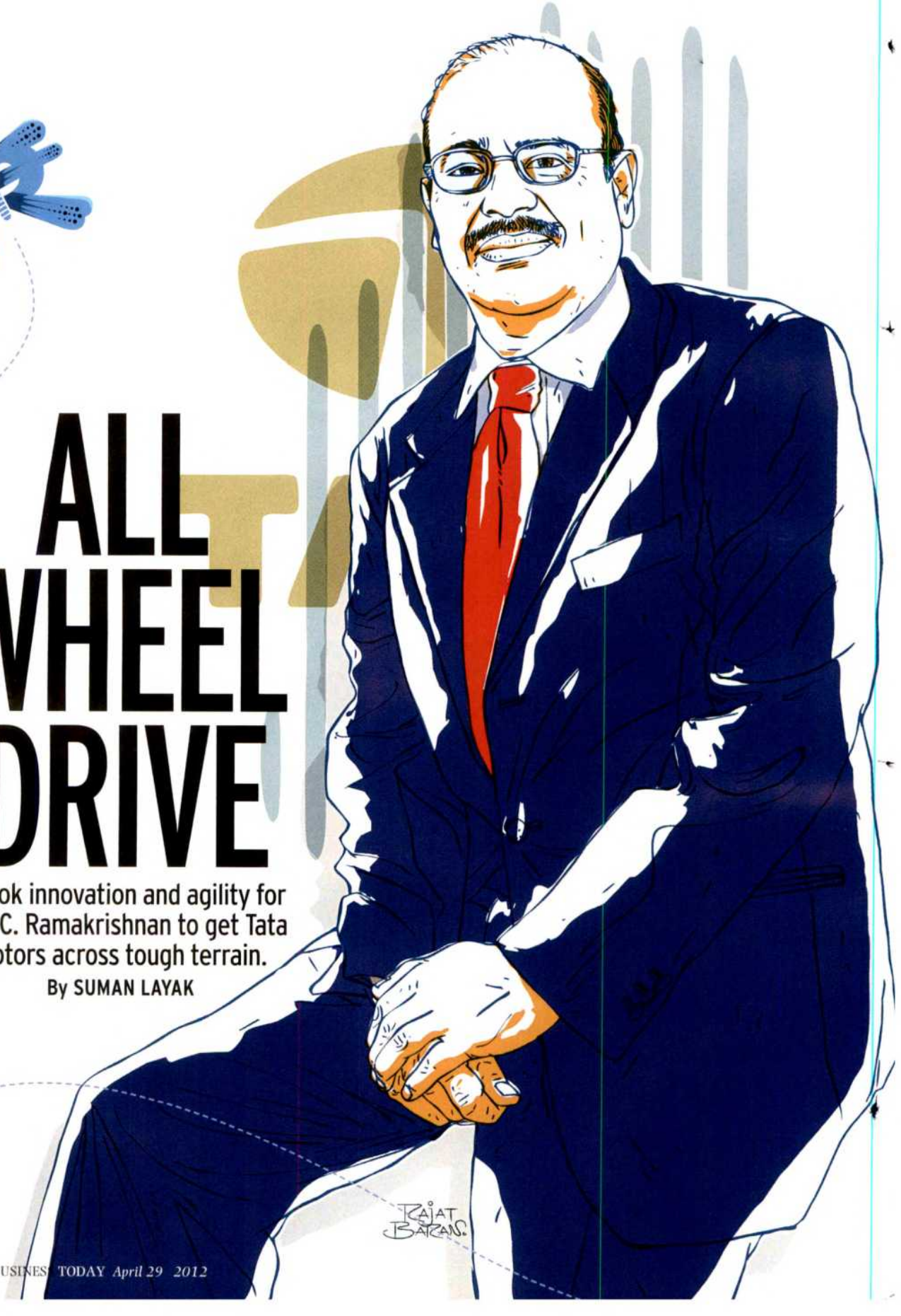
Cars for senior managers | Cars for field & sales staff | Vehicles for business application

WWW.LEASEPLAN.CO.IN

THE WORLD LEADING FLEET AND VEHICLE MANAGEMENT COMPANY

LeasePlan

It's easier to leaseplan



ALL WHEEL DRIVE

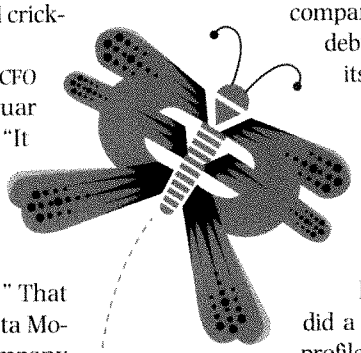
It took innovation and agility for CFO C. Ramakrishnan to get Tata Motors across tough terrain.

By SUMAN LAYAK

"You have to be nimble-footed, otherwise you get into a mess along with your suppliers"

On weekends at home, when Tata Motors' Chief Financial Officer C. Ramakrishnan is not listening to or humming a Carnatic piece, he can be found in the kitchen, cooking up a storm. And when Ramakrishnan cooks lunch for his family of five, he pulls no punches: *rasam*, *sambhar*, vegetables, the works. Ramakrishnan clearly enjoys it. It's how he relaxes. "I used to play tennis and cricket, but then age took over," he says.

CR, as he is often called, took over as CFO of Tata Motors during the company's Jaguar Land Rover (JLR) bid in December 2007. "It was a huge experience," he says. "When we finally signed, almost a year later, the documents were laid out in two rows across a room three times the size of this one. It took a few hours of signing." That was probably the easy part – what hit Tata Motors after that was much bigger. The company had to refinance its short-term borrowing to acquire JLR for $2.3 billion, amid a global banking crisis and a demand squeeze in the auto sector. This was also when it had to launch the Nano.



Vedika Bhandarkar, Managing Director at Credit Suisse in India, who has advised Tata Motors over four years on JLR, says: "Mr. Ramakrishnan is a thoughtful CFO. He is clear about his goals, and also pragmatic."

Since the deal, Ramakrishnan has worked hard to get Tata Motors' balance sheet to where it is now: more than ₹12,000 crore in cash and liquid investments, and a ₹1,467 crore dividend payout, at 81 per cent of Tata Motors' standalone net profits.

It took innovation, he says. For example, when Tata Motors borrowed £340 million from the European Investment Bank to part-refinance its debt in 2010, the EIB sought either a sovereign guarantee from the UK government or guarantees from banks it felt comfortable with. Ramakrishnan got the borrowings guaranteed by Indian banks, and arranged a second-tier guarantee from reputed foreign banks against the Indian banks' guarantees.

Another innovative move was the 'A-ordinary' shares introduced when Tata Motors issued equity shares through qualified institutional placement. The shares get five percentage points more as dividend (₹20.50 instead of ₹20 in 2010-11), but 10 shares combined have one vote at the company's general meetings.

Ramakrishnan is our best CFO this year, and also wins in the Best Transformation Agent (Large Companies) category. In 2010/11, the company reduced its net debt by 21 per cent (net debt is debt minus free cash), and improved its debt-equity ratio from 4.28 to 1.17.

"We needed to do three things," says Ramakrishnan. "One was to extract more cash internally. Second was to capitalise the balance sheet, which we did through rights issues and other instruments. Then we sold our shareholdings in Tata Steel and TCS. We also did a fourth thing: we extended the maturity profile of our debt – instead of 12-month instruments, we went for five- or seven-year terms."

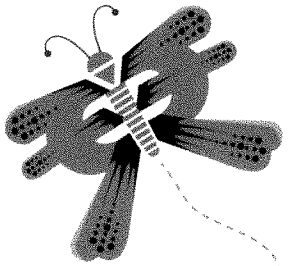
In a March 31 report on Tata Motors, Rajesh Gupta, research analyst at SBI Caps, said: "We expect future revenue and profitability ... to be driven by JLR." Jaguar car sales reported 11.8 per cent growth in 2010/11 to 53,000 units and Land Rover / Range Rover reported 30.1 per cent growth by volumes to 190,628 units.

In 2010/11, JLR's EBITDA margin rose to 15.2 from 5.4 the year before. Profit after tax rose to £1,036 million in 2010/11 from £24 million in 2009/10.

Ramakrishnan underscores the importance of being nimble-footed in dealing with business cycles in the automobiles business. "Otherwise you get into a mess along with your suppliers," he says.

In the 1990s, Ramakrishnan spent time with Ratan Tata while implementing the ERP project for Tata Motors. He observed Tata's ability to look at every issue at a strategic level as well as the tactical implementation level, and still delve into details. "When we met him, we had to be prepared at every level," says Ramakrishnan. "And yet he would surprise us." Perhaps those were lessons in nimbleness.

RIGHT ON THE MONEY



The country's top number crunchers talk about their winning approach.

CATEGORY Sustained Wealth Creation (Large Companies)

WINNER JAYESH MERCHANT
CFO & Company Secretary, Asian Paints

Brand Asian Paints has played a significant role in the company's growth. So have the distribution network and supply chain efficiency. Corporate governance and transparency have been critical: seven independent directors play an active role in the company.

We are conservative in our policies, but that does not mean that we are not aggressive in investing. When we fund projects, we don't go in for exotic instruments. We are only in debt funds for whatever surplus we have as a company. We are sensitive to working capital management. All our capex is funded through internal accruals.

Our working capital terms for the last few years have been substantial. That helped us fund operations as well as take care of future requirements. We try to balance dividend, expansion plans and growth over a period of time. We consider the environment and market, and whether we can fund plans from cash accruals. By and large, you won't find bad debts as far as we are concerned.

AS TOLD TO GEETANJALI SHUKLA

CATEGORY Sustained Wealth Creation (Midsize Companies)

WINNER RAVI S. GUPTA
Director-Finance & CFO, Jubilant FoodWorks

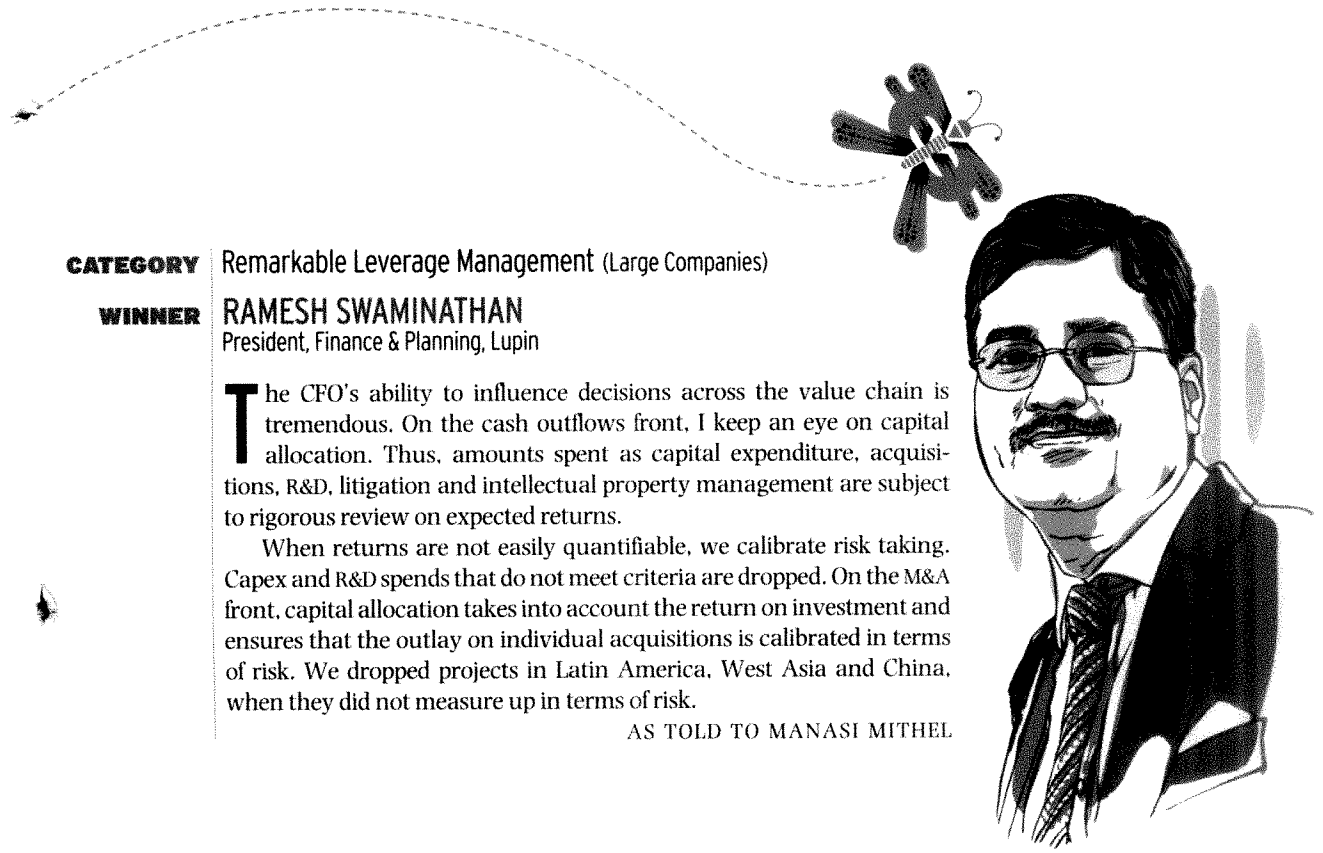
We manage 437 of our 439 stores. Only the Mumbai and New Delhi airport stores are franchises. Our model helps us operate with negative working capital.

Our consumer insight has been accurate. For example, in 2008 we observed that people were looking at the price, not the product. So we brought in the ₹35-pizza. This coincided with the slowdown. Same-store sales grew six per cent that year, when most other categories contracted. Our hub-and-spoke supply chain model saves on expenses and helps negotiate better prices. The EBITDA in 2010/11 was 17.7 per cent, and in December 2011 it was at 18.8 per cent YTD.

Inflation is a challenge. We raised prices 12 per cent in 2011/12. We have grown at a compound annual rate of 48 to 50 per cent in the last five years. We haven't passed on the full impact of inflation to customers.

We expect Dunkin' Donuts' store-level profitability at the same benchmark as Domino's Pizza – payback of three years or less.

AS TOLD TO GEETANJALI SHUKLA



CATEGORY Remarkable Leverage Management (Large Companies)

WINNER RAMESH SWAMINATHAN
President, Finance & Planning, Lupin

The CFO's ability to influence decisions across the value chain is tremendous. On the cash outflows front, I keep an eye on capital allocation. Thus, amounts spent as capital expenditure, acquisitions, R&D, litigation and intellectual property management are subject to rigorous review on expected returns.

When returns are not easily quantifiable, we calibrate risk taking. Capex and R&D spends that do not meet criteria are dropped. On the M&A front, capital allocation takes into account the return on investment and ensures that the outlay on individual acquisitions is calibrated in terms of risk. We dropped projects in Latin America, West Asia and China, when they did not measure up in terms of risk.

AS TOLD TO MANASI MITHEL

CATEGORY Remarkable Leverage Management
(Midsize Companies)

WINNER

V. RAMESH

President - Abrasives, Carborundum Universal

From 2007 to 2011, the company grew by more than double its size, and sti managed to reduce its consolidated debt-to-equity ratio from 0.6 per cent t 0.5 per cent. Two areas of focus played a key role in balancing leverage: one operational cash flows and divestment of non-core assets and core investments and two, aggressively looking at acquisitions and new investments.

In 2007, for instance, we made a strategic acquisition in Russia for our elec tro-mineral division, as production cost was lowest there. The finance depart ment ensured that benefits were realised.

You need a vision, strategies for it, and a sustainable competitive advantage Finance plays a key role. Our 25 per cent year-on-year growth is due to this.

AS TOLD TO MANASI MITHE

CATEGORY Consistent Liquidity Management (Large Companies)

WINNER

SESA GOA

(Director-Finance Sushil Gupta recently left the company)

Mining is a challenge in India, where there is a lot of population pressure, and in Goa, where there is pressure from villages. We expect to start mining soon in Karnataka. Margin pressures are there, primarily because of regulatory costs and royalties.

Our working capital management has always been focused. For a long time, we did not borrow for this purpose, but recently we started borrowing because we have invested cash in strategic assets. Our rate of return is not that great because we think our hard-earned money should remain safe. But at the same time, we do not want to compromise on returns. So it must be the best product with little or no risk.

AS TOLD BY **PRASUN K. MUKHERJEE, MD,** TO DEARTON THOMAS HECTOR

CATEGORY Consistent Liquidity Management
(Midsize Companies)

WINNER

AMIT B. JAIN

CFO, Zydus Wellness

Liquidity management is important for bringing down operating cost, especially in FMCG where consumer demand shifts erratically. In a slowdown, good liquidity management systems work like a saving device, and can help counter inflationary pressure. In terms of liquidity management, we have a robust system in place. We have set realistic norms for working capital management. On the debtor side, we operate on 100 per cent advance payment terms. As a consumer company, we make only optimum investments in fixed assets

AS TOLD TO DEARTON THOMAS HECTOR

We give you the best.
So that you can be chosen by the best

Get the best education with VIT's ABET accredited B.Tech programmes.

Mechanical Engineering	Civil Engineering	Electronics & Communication Engineering	Computer Science & Engineering

ABET, Baltimore, USA, has accredited 1500 programmes in Engineering, Computer Science, Technology and Applied Science all over the world. In Asia, 10 programmes have been accredited by ABET.

VIT University, Vellore has received ABET accreditation for B.Tech. Mechanical and B.Tech. Civil Engineering in 2009. It has also received accreditation for ECE and CSE programmes in 2011.

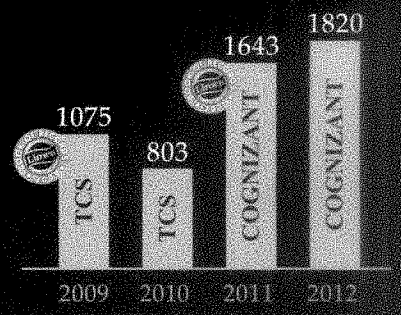
Accredited ABET Engineering Accreditation Commission

Accredited ABET Computing Accreditation Commission

For more information about ABET visit www.abet.org

VIT's Limca record in campus placements ensures that you are chosen by the best companies.

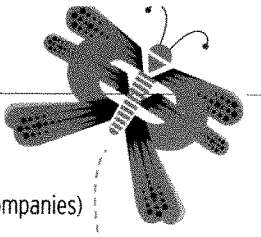
For the 4th year in a row, VIT has achieved the top spot in placements. Two of these have even made it to the Limca Book of Records for creating a new national record in campus placements.



Highest campus placements record by a Single company

VIT UNIVERSITY
(Estd. u/s 3 of UGC Act 1956)
www.vit.ac.in

VIT - A place to learn; A chance to grow



CATEGORY WINNER Best Transformation Agent (Midsize Companies)

N.H. BHANSALI

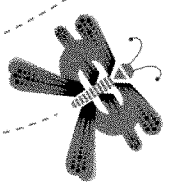
CEO-Finance, Strategy & Business Development, Emami

The CFO has to work with and within the company's strategies. And, before an acquisition, it's very important to have a financial plan for the company. We need to know what will increase profitability and what we can leverage. During the Zandu Pharma acquisition in 2008, we kept a close watch on every transaction.

In the fast-moving consumer goods business, you have to keep marketing aggressively, even when you are leading. You have to keep ploughing back profits. More than 80 per cent production comes from excise exemption zones; you have to leverage those benefits.

The prices of some materials are volatile, and that must not affect quality. Long-term engagement for procurement is better than looking for the lowest current prices. In raising prices, we have to be judicious.

AS TOLD TO ANAND J.



CATEGORY WINNER Best CFO of an MNC

SHOBINDER DUGGAL

Director, Finance & Control, Nestlé India

The CFO must keep majority and minority shareholders at arm's length. We pay royalties, but as a multinational company, what we get back is even more important: global best practices and the range of offerings of the parent. When you get external commercial borrowings from the parent at a favourable interest rate, it is immaterial whether you lose some to forex fluctuations. If repayment is after five years, you must not look at this year's fluctuation. You must hedge against currency fluctuation only if necessary. You have to stay vigilant and not be carried away by a boom or slowdown. A CFO must stay calm. You have to think long term and seek opportunities for top-line growth. A slowdown is a good time to trim the fat. Cash is important at such times to stay steady.

AS TOLD TO ANAND J.

CATEGORY Best CFO of a PSU

WINNER

ASOK KUMAR SINHA

Director, Finance, Coal India

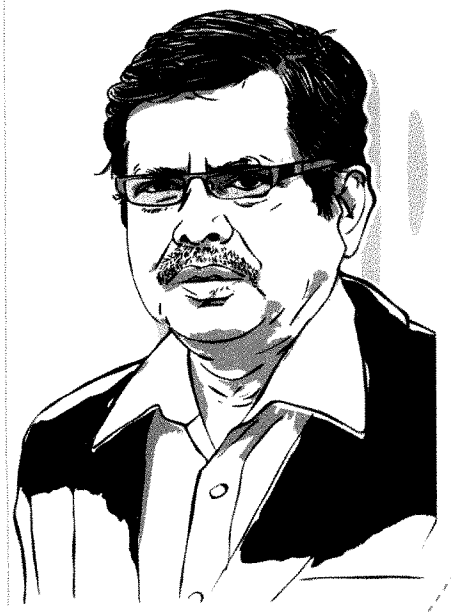
Mining is a dynamic industry. Many factors are out of your hands. Land acquisition is a sensitive issue, so we devote a lot of resources to corporate social responsibility. It is a must in this sector. You have to provide for the development of villages and get them on your side to grow. You have to keep all stakeholders happy. This is as good as any other investment you make.

We invest a lot in parallel infrastructure. We are helping state governments build ports, roads and railway infrastructure.

Transparency is very important in this sector, as you deal with citizens' resources. Environmental issues must be taken care of at every step, too. Investment in these will pay off handsomely.

I try to keep fixed cost constant, and input cost at optimum level. If I increase my top line, the bottom line will also grow.

AS TOLD TO ANAND J.



CATEGORY Best Woman CFO

WINNER

JYOTSNA SHARMA

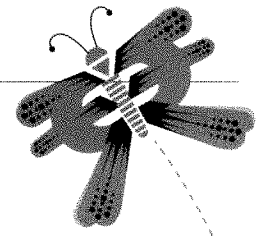
CFO, VP-IT, NRB Bearings

To reach the top in a man's world, a woman has to work twice as hard. I moved from Pune to Singapore to Mumbai to build my career. But today, industry is quite receptive to a woman CFO. Challenges are there, but you have to overcome them by focusing on work and being a thorough professional.

NRB Bearings has been performing well. In the past year, we recruited four more women on my team. In 2011/12, revenues have grown to ₹540 crore from ₹467 crore last year. EBITDA is expected to grow around 20 per cent this year. We have performed consistently because of highly engineered niche products and few competitors. Our working capital cycle is down to 87 days in 2011/12 from 115 days in 2010/11 and 194 days in 2008/09, because of improved collection.

I don't just crunch numbers. In my spare time, I work to set up rural libraries. The experiment is under way at my village Sarafwadi, in Maharashtra.

AS TOLD TO ANUSHA SUBRAMANIAN



CATEGORY Enhancing Competitiveness Through M&A

WINNER V.S. PARTHASARATHY
Group CIO, EVP-Group M&A, Finance & Accounts, M&M

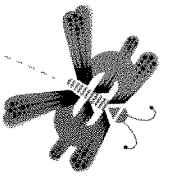
One factor that determines whether we should make an acquisition is strategic fit in terms of the target company's technology, products, market reach and process breakthroughs.

The second factor is whether we can make the acquisition faster and with a better output than before. For instance, the Ssangyong integration was part of the acquisition from day one.

We like to follow this: one-third of the team should drop off once the acquisition is over, one-third should be involved in passing the baton, and the last third should be assimilated into the acquired company.

The key thing is whether you look at it as an acquisition or a partnership.

AS TOLD TO G. SEETHARAMAN



CATEGORY Commitment To Triple Bottom Line

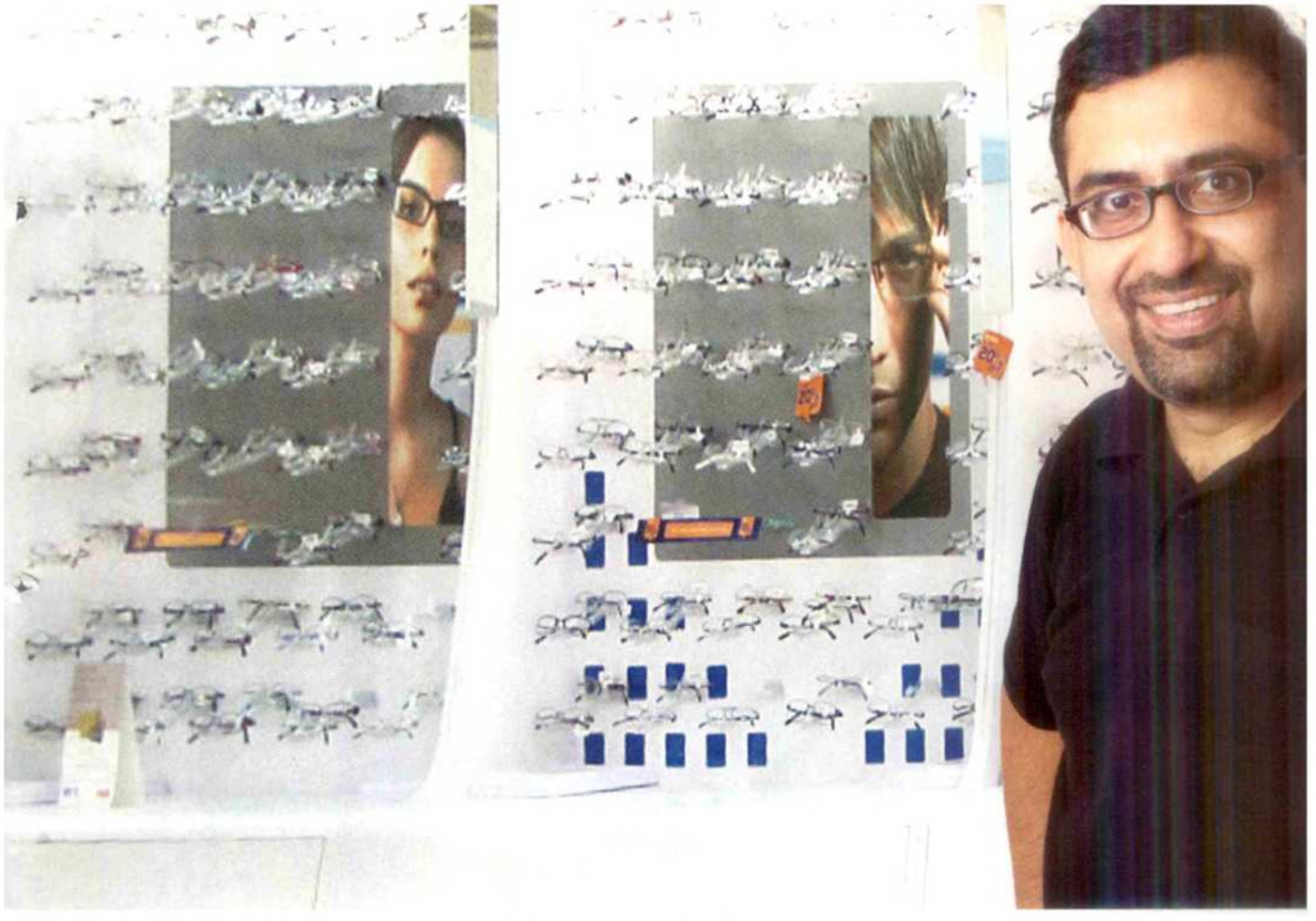
WINNER S. MAHALINGAM
CFO & Executive Director, TCS

We spend about 0.5 per cent of our net profit on corporate social responsibility. But 75 per cent of TCS is owned by Tata Sons, a substantial portion of which is owned by trusts that also do CSR work.

We are interested in education and health care. Most of our CSR spend is in India but we also have initiatives elsewhere. For instance, after the Chile earthquake, we supported relief and rehabilitation efforts.

We sustain our programmes. I'm still in contact with a school we helped establish in Chennai in the mid-1990s. Even in difficult times, CSR is not the first activity to be curtailed. In 2009, we had a big cost management programme and, over five quarters, we improved margins by 410 basis points. Even then, we stayed committed to CSR.

AS TOLD TO G. SEETHARAMAN



"What I liked about Franchise India? They not only suggested what I wanted, they even presented a choice of investment options that were completely different and yet very future-relevant!"

Name: Rajiv Srivasta
Company: Leading Eyewearbra
Latest franchise: A

When starting a new business venture, you need someone who can guide you and provide insights into the business. So, if you are looking at setting out on your own, talk to us. We will suggest not simply what you need currently, but a choice of investment options that are future-relevant. Our unique blend of experience, knowledge, understanding and trust ensures that what we bring to the table is profitable for all concerned.

UNMATCHED REACH
Presence in 231+ cities and towns across India

INVESTOR POTENTIAL
2.50 Lakh+ Registered Investors

LOCALISED CAPABILITY
8 Zonal Offices 600+ trusted and experienced Deal Makers

PROVEN TRACK-RECORD
1100+ brands serviced to date

Feel free to call our advisors:
Hotline: 011-3222 3222 | investor@franchiseindia.in

www.franchiseindia.in
1800 102 2007

Franchise India Brands Limited
F-89/11 Okhla Industrial Area, Phase-1, New Delhi 110020

FRANCHISE INDIA
Your growth is our business

Business Brokerage | Consulting | Capital Services | Property Services

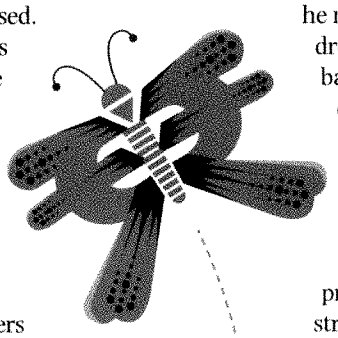
RAJAT BATRA

THE VIRTUAL CFO

Freelance number crunchers are providing high-quality services to small companies that cannot hire a full-time CFO.

By ANAND ADHIKARI

The silence in the nearly empty room was broken by a Skype call at 10.30 p.m. Bhairav Kothari, still at work in the first-floor office of an old 10-storey commercial building in the Mumbai suburb of Mulund, was surprised. The staff had gone home hours ago. "I found you on Google," began the hassled-sounding caller. He was calling from the Bahamas, oblivious to the 10-hour time difference. "He wanted to put together a business plan for a bank loan," says the 36-year-old Kothari, Founder and Managing Director of SuperCFO Services Ltd, who spent nearly a decade crunching numbers at CBay Systems, one of India's largest health care BPOs. The four-year-old SuperCFO offers a wide range of CFO services.



Half an hour into the call, Kothari had bagged the assignment. The caller was a doctor who planned to buy two planes for combined use as ambulances and a commercial charter service. He had prepared a preliminary business plan using an off-the-shelf software, but he needed to refine it. So Kothari and his team drew up a profit-and-loss statement and a balance sheet after factoring in the doctor's expenses, investments and commitments related to the project, expected utilisation of the planes, fixed and variable costs, revenue model, and loan repayment scenarios. "We had many rounds of discussion with the doctor on how to present the case to the bank and how to structure the loan," says Kothari. A detailed business plan was delivered in five weeks flat, without anyone visiting the Bahamas. That was October 2010.

A few months later, in Pune, 52-year-old Yo-

NISHIKANT GAMRE

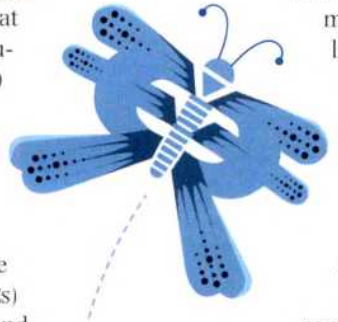
"Carrying the company's card helps the virtual CFO negotiate with banks, clients and vendors"

Bhairav Kothari,
Founder, SuperCFO

gesh Satoskar, Chairman of Unicus Advisors, another firm that offers virtual CFO services, got a frantic call from a midsize multinational engineering company based in India. They wanted him to fill in immediately for their CFO, whose departure was closely followed by that of his deputy. Satoskar devoted a few hours to them daily. The company had good accounting systems in place, but Satoskar found its foreign exchange hedging weak. "I guess it was not on their priority list," he says. Over the next six months, Satoskar, who has more than 25 years of experience, created a system that would save the company money. He eventually left after recommending a full-time CFO to the company.

Kothari and Satoskar are among a new breed of finance professionals who call themselves virtual CFOs. Such services have mushroomed in the last four to five years, and offer high-quality assistance to help small and medium enterprises (SMEs) in India build robust accounting systems and processes. Global projects such as the Bahamian air ambulance service are rare.

"The job is something similar to Superman's: Clark Kent appears simple, but doubles as Superman," says Kothari with a laugh. It is obvious that the boss of SuperCFO is inspired by the Kryptonian superhero.



Sudheendra Kumar, Chief Promoter at Intellex Corporate Services, points out: "We generally enter the picture when there is trouble." The trouble is not necessarily financial sickness, he adds.

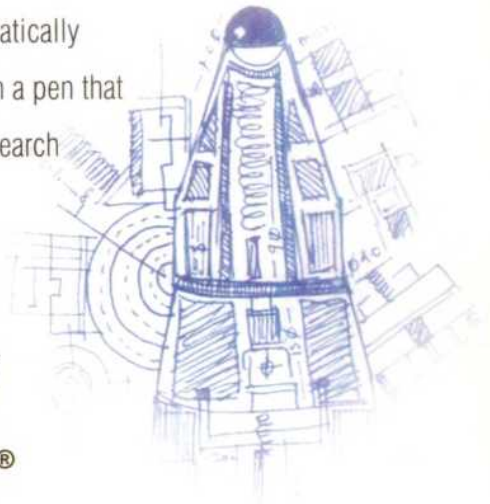
"The need for a high-quality CFO was always there," adds Saurabh Agarwal, Director, Kennis Group. A CFO goes beyond accounts to build a sustainable business model, introduce robust controls, ensure regulatory compliance and raise resources. The advantages of having a full-time CFO are many, but SMEs are often constrained by limited budgets, a small scale of operations and a traditional family-run approach. That is why chartered accountants or auditors often fill the gap, even when a more experienced hand is needed. "Small entrepreneurs never let go," says Kothari, referring to the accounting function.

Today, the accounts heads of small companies already have too much on their plate: accounting, compliance, investors, funding, board hygiene, cost, strategy, managing bank limits, use of surplus funds, mergers and acquisitions, investor relations. "It is natural for a fast-growing SME to hire or outsource professionals in a fast-changing operating environment," says Agarwal.

ADD Gel
Leaders in Writing Technology

A micro spring as thin as hair. A roller ball almost as hard as a diamond. A technology that adapts to you.

Presenting Eins from ADD Gel. Revolutionary Gel Roller Technology that has a ball made from Tungsten Carbide, only the second hardest material after a diamond. Coupled with a micro-spring made from high tensile steel as thin as hair, the technology enables the pen to recognize your writing style. Giving you uniform and smooth writing pleasure every time. What's more, when the pen is left unused it automatically shuts the tip from inside, resulting in a pen that never dries. A result of Japanese research and German engineering...
Ingenious!

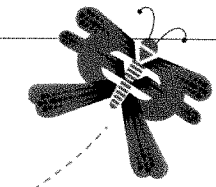


eins®
GEL ROLLER

Writes to your taste

www.addpens.com | email: corpsales@addpens.com

Invitation Price ₹ 70/-



WHY THE CONCEPT IS CATCHING ON IN INDIA

The economic downturn after September 2008 helped virtual CFOs. Small entrepreneurs were caught in a mire of overleveraging, ill-conceived expansion, and unrealistic bets in commodity derivatives and foreign exchange. Increasing regulatory and compliance requirements, and volatile commodity prices and interest rates have only made the role of the CFO more important.

Agarwal says the emergence of professional entrepreneurs is also responsible for the growing popularity of virtual CFOs. For example, in 2007/08, first-generation entrepreneur Surajit Chaudhuri, Managing Director and Founder of Kalpakaaru Retail Art, wanted to take advantage of the booming economy. "The in-house chartered accountants could not see beyond the balance sheet," says Delhi-based Chaudhuri, whose company provides contracting services for retail store interiors. He did not have the budget or enough work to justify a full-time CFO. Engaging a virtual CFO quickly changed the course of the company. The CFO not only helped with company valuation, but also helped structure the company by creating two verticals: manufacturing and contracting.

Even second-generation entrepreneurs who run family businesses are keen on improving governance, timely compliance and budgeting, and thus understand the importance of virtual CFOs. Also, such CFOs often have strong relationships with banks and financial institutions, which come in handy when the company negotiates a loan.

Many virtual CFOs carry the company's visiting card. "It helps in negotiations with banks, clients, and vendors, with transactions, and to form joint ventures with international partners," says Kothari.

A virtual CFO empowers the CEO with information. Kothari says a CEO should regularly get some kind of information from the accountant or finance manager – for example, a weekly list of debtors and the age of their debt, monthly reports on the profitability of new clients, and quarterly analysis of client revenues for early detection of a downtrend.

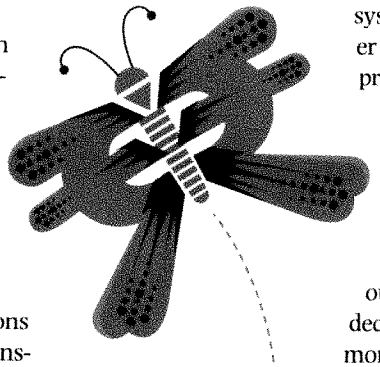
Complex business environment calls for changes in strategy

Increasing demand from even small businesses for high-quality financial expertise

Current generation heading family-run businesses also values role of CFO

Private equity firms want CFO to help them assess a company before they invest in it

Greater compliance requirements, global accounting standards, changing regulatory environment



Satoskar of Unicus sets up alerts for CEOs. For an engineering client, he set up costing and cost follow-up systems to monitor the production cycle and identify gaps. Until then, costing had been manually done, based on a set of assumptions about raw materials and costs. "I introduced an automated system that would not only let them estimate the cost of each order in real time, but also follow up online," he says. This clarified cost goals for various departments, and enabled the CEO to analyse and allocate profits from individual projects. Budgeting for the following year became easier. There was no software expense. "We used Microsoft Excel and downloads from Tally," says Satoskar.

Private equity firms, which have been quite aggressive in the Indian market in the last five to six years, are also hiring virtual CFOs to help them assess companies before investing in them.

So, how does a virtual CFO function? When a company signs him up, he first makes an assessment of its compliance, systems and processes, controls, and other factors. "There are things like whether procurement policy is in place, a proper management information system, or a pricing policy," says Agarwal. Kothari adds that the virtual CFO also looks at general regulatory hygiene. He may also get the company to change its software if it is using an outdated product. Agarwal says: "We decide on a particular day in a week or month for all clients."

Virtual CFOs charge about one-eighth to one-tenth the fee that their full-time counterparts would. Little wonder, then, that the concept is catching on. ◆

Send your comments to editor.bt@intoday.com

India's No.1 Dealer

VASANTH & CO

VASANTH & CO.
SINCE 1978
IN THE SERVICE OF PEOPLE

QUALITY • TRUST
VASANTH & CO.

51 Showrooms

Tamilnadu | Pondy | Bangalore
Soon at Kerala

AN ENTREPRENEUR COMMITTED TO SERVING THE PUBLIC

• Interest-free loans to hawkers and platform vendors • Donating cycle with thermos tea cans, sewing machines, utensils & iron boxes to help poor self-employed • 32 free tuition centers for poor students • Donating TV sets to schools & orphanages • Distribution of free notes books & text books at the start of each academic year • State level painting, essay & oratory competitions for students • Conducting sports meet for cycle-rickshaw & auto-rickshaw drivers • Massive Contributions to Kargil Relief & Tsunami Relief Funds • Donating hand-pedalled tri-cycles & tri-scooters to the handicapped

Year 1978, H.Vasanthakumar launches Vasanth & Co with the blessings of parents

The journey that began on a bicycle in 1978 continues with the ever expanding horizon.....

Best Social Worker Award - from Prime Minister of India - 1997 | **Rajiv Gandhi Award** - from the National Integration Council
Lok Shree Award - for Social Service and Sports Promotion | **Udyog Ratan Award** - for Outstanding Business Performance | **IIM-Bajaj Award** - Best Dealer National Award

வெற்றி
Vetri Foundation
Lofty ideals... Non-stop efforts...

First time in Tamil Television History, Enjoy Watching Vasanth TV On Move Worldwide on Your iPhone / iPod / Android / website.
Download Free App. For Advertisement / Feedback Contact us - www.vasanth.tv

SUN DIRECT Ch No.:132 | RELIANCE Digital TV Ch No.:816 | airtel digital TV Ch No.:519 | VIDEOCON d2h Ch No.:820 | dishtv Ch No.:925

VASANTH TV
News & Entertainment Satellite TV Channel

Corporate Office: No. 14, Railway Border 1st Street, Kaveri Nagar, Saidapet, Chennai - 600 015. Phone: 044- 42 444 444, Mobile: 098400 33350

Breaking the mould: Sigve Brekke, MD of Uninor, dancing with underprivileged children

Subscription Surge

Month after month, Uninor has been adding more subscribers than the incumbents

	SEPTEMBER '11	OCTOBER '11
Uninor	1,916,150	2,665,215
Bharti Airtel	935,347	949,819
Vodafone Essar	848,204	923,940
IDEA	1,738,662	1,639,016
BSNL	450,341	511,973
Aircel	603,260	489,481

For interview with Sigve Brekke, go to
www.businesstoday.in/uninor

in Chennai, at one of the road shows

DANCE OF THE DAMNED

Uninor has been handed the death sentence. So why are more people buying its connection than Airtel's or Vodafone's?

By SUNNY SEN

Rohit Tiwary, 28, was in a fix. Five days a week, his evenings were consumed by the tiny BPO outfit he had set up in Chennai. Faced with demands from his girlfriend for more quality time together, he did what any man would: spend three to four hours on the phone with her every day. But the phone bill, nudging ₹6,000 a month, began to pinch. The solution came from the faraway Scandinavian peninsula. Those animated nightly conversations are now conducted on a connection from Uninor, a joint venture between Norway's largest telecom company Telenor and Gurgaon-based Unitech, which Tiwari took to go with the Airtel number he had been using for eight years. The two bills together are now below ₹3,500 a month as the quality airtime with the girlfriend – all of it on the Uninor number – costs just about ₹200 a month.

This has been made possible by Uninor's i gain-22 tariff plan. Under the

NOVEMBER '11	DECEMBER '11	JANUARY '12	FEBRUARY '12
1,862,436	2,124,910	2,491,511	2,342,327
960,083	960,143	1,301,349	1,822,966
925,103	905,478	855,349	838,071
2,172,972	2,387,747	1,747,169	2,582,334
557,477	423,367	860,846	0
674,209	685,800	817,710	793,947

Source: Cellular Operators Association of India

prepaid plan – Uninor does not offer post-paid connections – Tiwari has to pay only ₹6 for a five-hour call. He knows that Uninor's 22 licences were among the 122 spiked by the Supreme Court on February 2 in the 2G case, but is not too perturbed by it. "As long as they (Uninor) are here, I can make the most of these offers."

Tiwari bought the Uninor subscription in January, one among 2.5 million to do so that month. If you think that number is high, wait till you hear the rest of it: Airtel and Vodafone, the runaway leaders, got only 1.3 million and 850,000 new subscribers, respectively. What is more, January was not a flash in the pan. Uninor has been a subscriber magnet for months, getting more than any other service provider in three of the six months to February this year. In the other three, only Idea Cellular was marginally ahead.

Among Indian consumers, whose value-seeking mindset is succinctly captured by a carmaker's commercial in which an army officer asks for the fuel efficiency of a battle tank, Tiwari is not unique. A salesman at Vishnu Pharmacy, in Chennai's Elliot's Beach area, which also sells mobile phone connections, says half of his buyers ask for Uninor, all for the same reason: its tariffs are 15 to 20 per cent lower than those of its rivals.

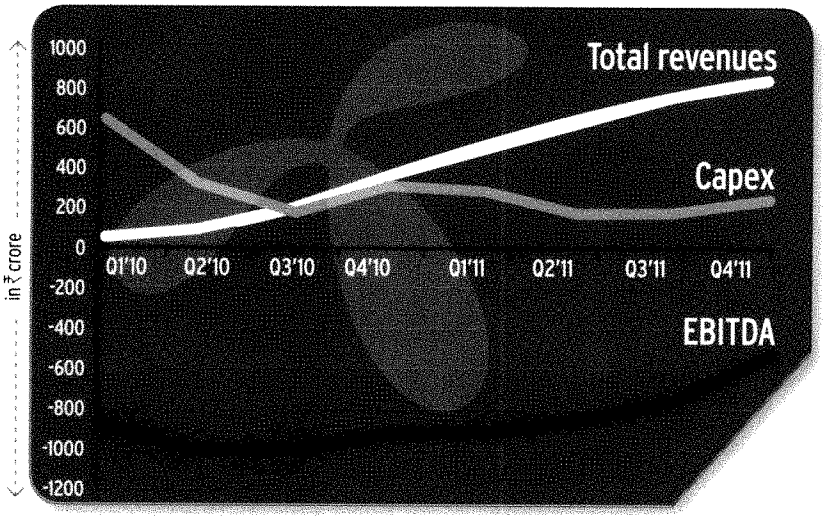
If the two-paise-a-minute plan resuscitated Tiwari's romance, the ₹5-a-day scheme, the only one of its kind, has been the saviour of many who work on low daily wages. For that amount, it gives them unlimited talk-time till midnight. For those who can afford slightly longer, and pricier, commitments and would like to avoid a daily recharge, there is the ₹198 a month plan. It gives you 2,000 minutes of talk-time on the Uninor network and 700 minutes for calls made to others. While these plans are quite generous, yet another is unique in that it disrupts the concept of inflation. For ₹50, it gives you talk-time worth ₹55.

"India as a market is growing on basic voice connectivity. People are not connecting on data services. And the size of the Indian mass market is so big that if you focus only on that you can build a market position. So if you are a guy who needs post-paid connections, we say no," says Sigve Brekke, who heads Uninor's operations for India and the rest of Asia, except Pakistan.

There have been enough people who have said yes to Uninor. Having acquired its first subscriber in December 2009, it now has 41.5 million of them, making it the sixth largest operator with a 6.26 per cent market share. Airtel leads the pack with 27.22 per cent, having taken 17 years to garner its 178 million subscribers. Of the others who started alongside Uninor, and whose licences also stand cancelled, Videocon's Datacom has a 0.94 per cent share of the market, STel 0.52 per cent, Loop Telecom 0.5 per cent, and Etisalat DB 0.26 per cent.

On Fast Track

Uninor hopes to break even in 2013, and be cash flow positive by 2015



Note: ₹ is converted from NOK at constant concurrency

Source: Company Financials

Norwegian good

Brekke, since he took charge in November 2010, has come a long way, and that's not just about the physical distance from his home country. He was the one who forged the venture with Unitech, but then repaired to Bangkok, from where he kept a distant vigil on India. By May 2010, six months after the India operations started, they were still caught in the starting block. Subscriber additions were a trickle.

Brekke had taken to politics at the age of 16 and rose to become Norway's Deputy Defence Minister by 33, but quit three years later to study and then joined Telenor in 1999. Now 52, he began to make frequent visits to India to understand the market, which he describes as "competitive", and took charge in November 2010. He had turned around debt-ridden Thai company DTAC, which Telenor had acquired in 2002, and the bosses in Oslo were convinced Brekke was the bloke for the job.

With 12 rivals to contend with,

HELP JOIN A CONTINENT OF NEARLY 7.7 MILLION RUGGED SQUARE KILOMETERS WITH A SINGLE BROADBAND CONNECTION.

IT'S NEVER BEEN DONE BEFORE

Get the full story at
Emerson.com/NBNAustralia

EMERSON™

The Emerson logo is a trademark and a service mark of Emerson Electric Co. © 2012 Emerson Electric Co.

CONSIDER IT SOLVED™

Brekke discontinued the post-paid schemes and focused on customers who the big boys might not find worth their time: those with low purchasing power. The intent was to get as many of them as possible by charging as little as possible, especially for local calls. His target customers did not care for the value-added services, including STD and ISD, and nor did Brekke. The tariffs in India were already at the proverbial rock bottom, a natural outcome of the stiff competition, but he created a new bottom.

With the masses as the new focus, Brekke came into his own. Reprising his politician days, he connected with them the way few other MNC bosses would have, including personally participating in road shows, which continue unabated despite the cancellation of licences.

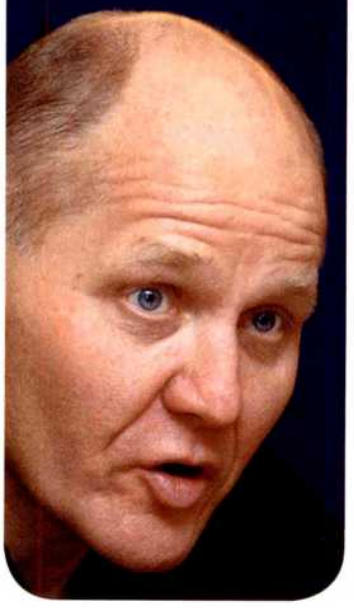
Brekke was in Chennai last month, with 200 of his employees, all of whom converged on Elliot's Beach by car and motorcycle. It was like an election campaign, with Brekke seemingly canvassing for votes rather than subscriptions. In an impromptu gig, he took the dhol and danced to Tamil songs, including *Kolaveri di*, which was the subject of a recent case study by *Business Today* (*www.businesstoday.in/kolaveri*). Uninor, too, has the potential to make a case study in how to prise open a crowded market. But, unlike *Kolaveri di*'s case study, Uninor's may not be about unmitigated success.

It has not been easy to monetise those booming subscriber numbers. Uninor's revenues grew nearly fivefold to ₹2,787 crore in 2010/11, giving it 1.4 per cent share of the total industry revenue. Airtel, with four times more subscribers, earned 21 times more revenue at ₹59,467 crore. India accounts for 30 per cent of Telenor's Asian subscriber base, but only 9.29 per cent of revenue.

"Telenor either does not care or does not know that it is destroying value with its willingness to price at or near a loss to gain market share,"

"The size of the Indian mass market is so big that if you focus only on that you can build a market position"

Sigve Brekke



says Robin Bienenstock, Senior Analyst with London-based research firm Sanford C. Bernstein. "It will last as long as Telenor's board is willing to allow it to lose money."

Unfazed, Brekke says Uninor would be EBITDA-positive (earnings before interest, tax, depreciation and amortisation) by 2013 and have a positive cash flow two years after that. His optimism stems from the fact that though the Indian market is the most cut-throat, it also enables the most cost-cuts. It is now customary for telecom operators to outsource all non-core activities: from call centres to information technology systems.

This leaves Brekke free to focus on subscriber numbers, about which his Wipro-managed IT system sends a mobile alert every morning at 7.30. At 3 pm, he sits with his core team to decide on action in circles which did not do well the previous day.

This day-to-day focus on subscribers does not impress everyone. Says Harald Hornes Øyen, analyst at Oslo-based brokerage firm Swedbank First Securities: "Perhaps the more relevant issue for Telenor is whether the growth is profitable."

But neither a focus on growth nor one on profitability can address the two biggest issues facing Uninor.

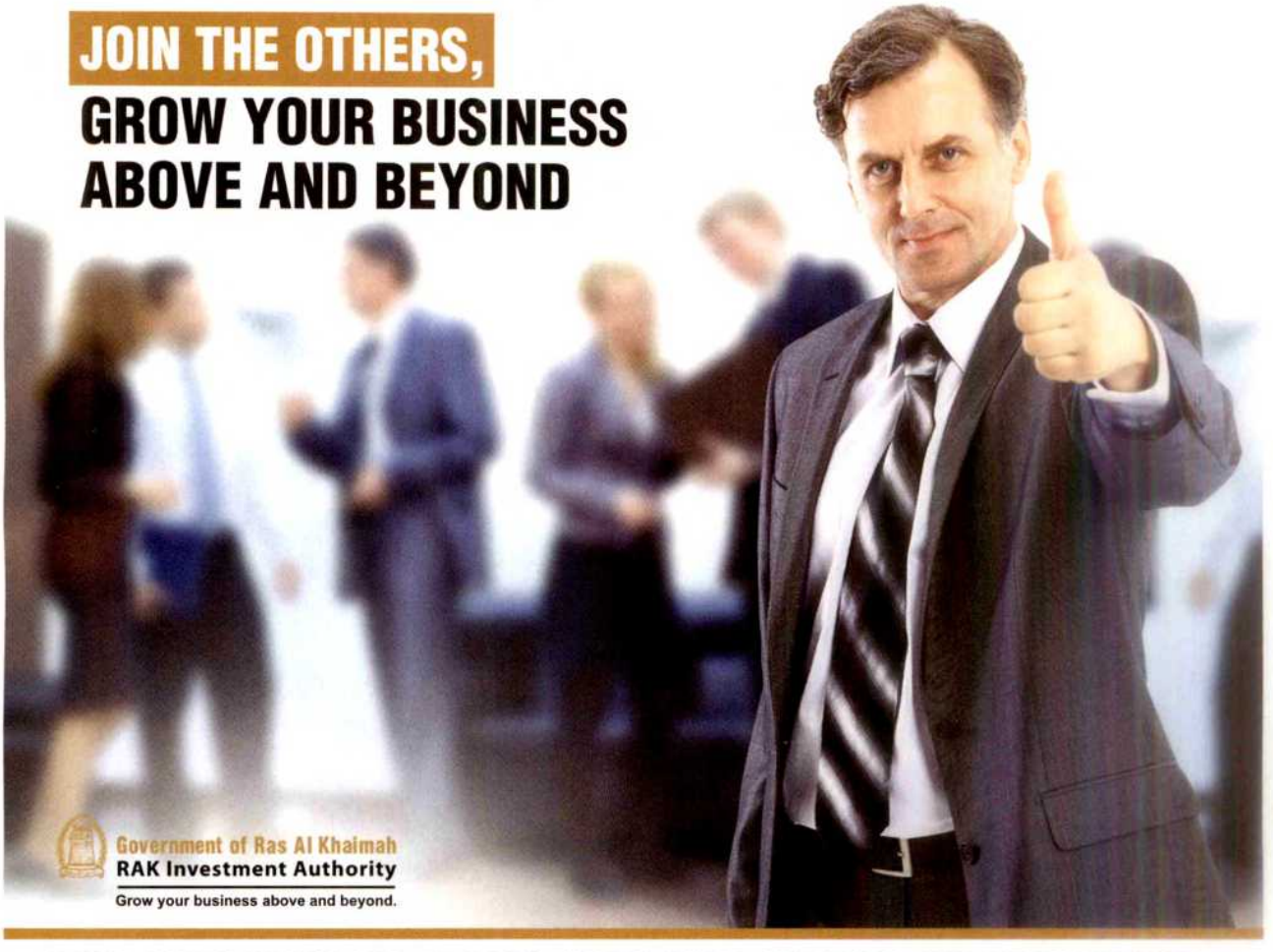
First, having sunk ₹14,000 crore into the India operations, Uninor is about to lose its licences. And there is little clarity on the course of action. The Supreme Court had given the government 120 days to re-auction the cancelled licences, but the government says it will need at least 400 days. Telenor, for its part, has added fuel to the fire by threatening to drag the government into arbitration under the Comprehensive Economic Co-operation Agreement with Singapore, the country through which its investments are routed. Secondly, it is stuck with a partner it no longer wants and is looking for ways to oust Unitech, which has 32.75 per cent equity in the joint venture. Both have gone to the Company Law Board where a war of attrition is underway.

And then there is the third point to ponder. Even if Telenor gets a new partner – it is looking for one – and a new licence, can it afford to continue with its low-margin, high-volume model? Ulrich Rathe, European Telecom Equity Research analyst at brokerage firm Jefferies International, says the company probably hopes to convert its voice users into data users, which will expand the margin.

Now, if only that licence could come quickly. ◆

Send your comments to editor.bt@intoday.com

JOIN THE OTHERS,
GROW YOUR BUSINESS ABOVE AND BEYOND



RAKIA ISSUES INDUSTRIAL, TRADING, COMMERCIAL, SERVICES, AND MEDIA LICENSES.

10,000 satisfied investors

RAKIA provides fast and cost effective solutions to cater to the need of all investors.

5,000 onshore companies

RAKIA provides ready to occupy office space and warehouses for service and trading companies: Affordable rent with office space starting from 10m², and warehouse starting with 31m².

900 industrial units

RAKIA offers industrial parks which is strategically located and well connected through airports and seaports in UAE. RAKIA Industrial Park has a well developed infrastructure with 85MW dedicated power plant, modern communication systems, and provision to build the labor accommodation within the plant premises.

1 contact point

RAKIA Ras Al Khaimah Investment Authority

provides licenses, visas and all permits as a one-stop-shop. Investors has the facility to register the company online to get started fast!

United Arab Emirates - P.O.Box:31291
F:+971.7.243.4464/+971.4.446.8687
info@rakinvestmentauthority.com

CALL TODAY
+971.7.206.8666
+971.4.446.8688

APPLY ONLINE
WWW.RAK-IA.COM

India Representative
+91 9880 787 982
p.chatterji@rakinvestmentauthority.com

ROOM FOR OPTIMISM

Global hotel chains learn new tricks in India as they try to grow aggressively and combat suffering demand.

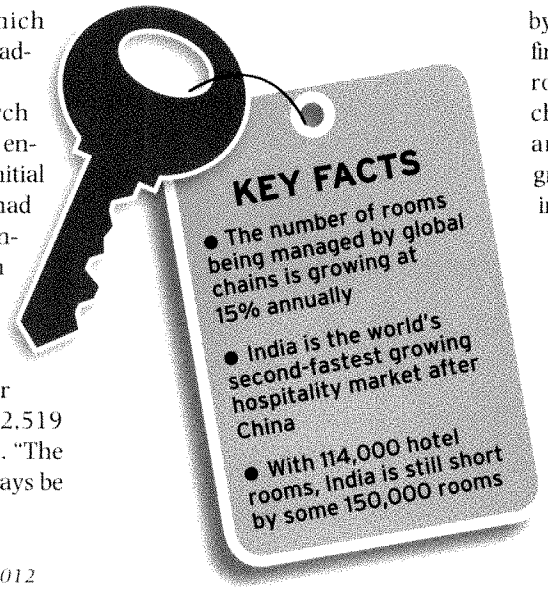
By ANAND J.

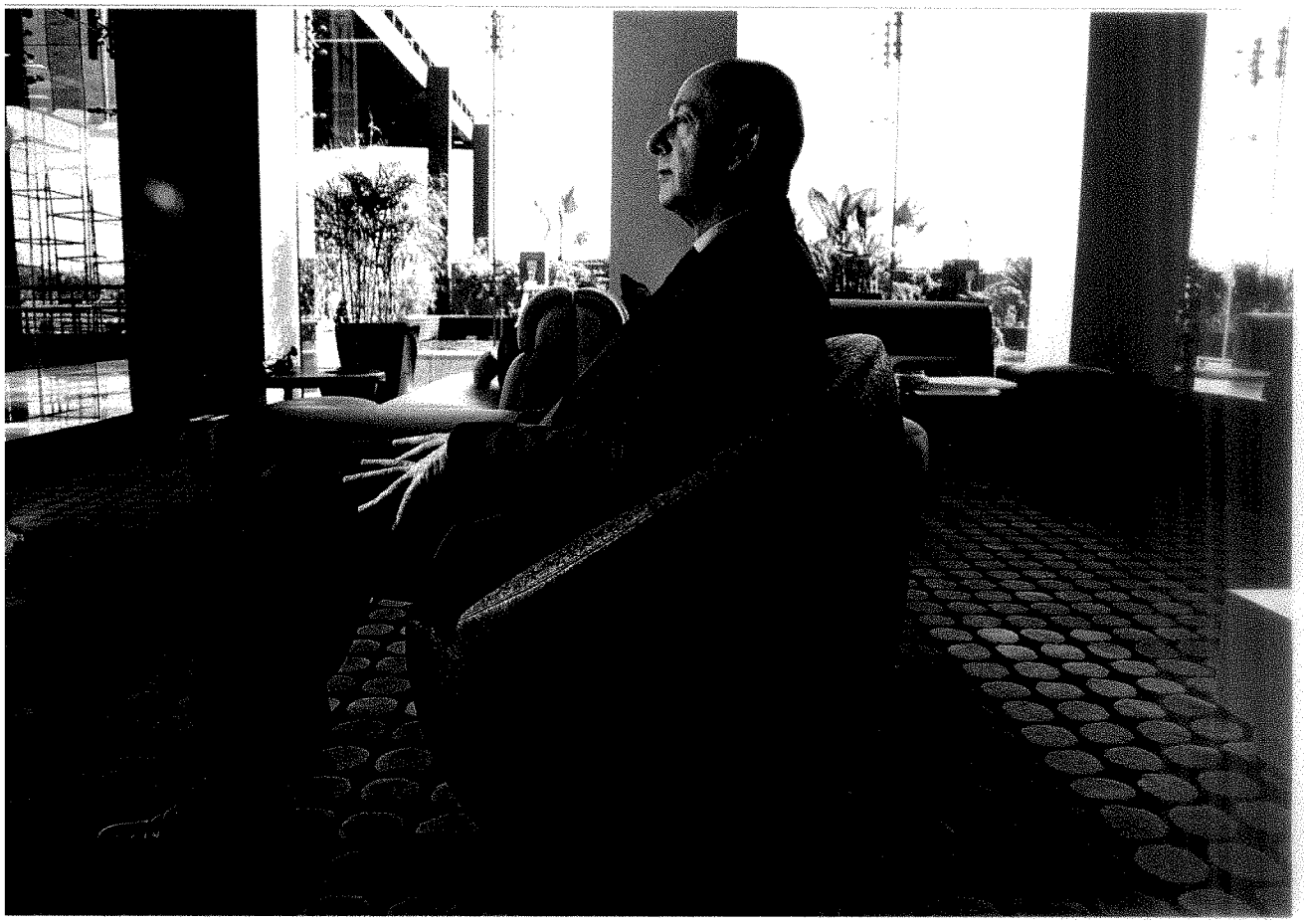
French mega hotel chain Accor opened its first hotel in India, at Gurgaon, at perhaps the worst possible time: August 2008. The following month Lehman Brothers collapsed in the US, triggering the global downturn. Another two months and the 26/11 terror attacks occurred, after which many countries issued travel advisories against visiting India.

Lack of adequate research into the Indian market before entering compounded Accor's initial problems. But the chain has had no second thoughts; on the contrary today it runs 14 hotels in India, including one bearing its ultra-luxury Pullman brand in Gurgaon. It intends to increase the number of rooms it is managing from 2,519 at present to 13,952 by 2015. "The first opportunity may not always be the best opportunity," says Jean-Michel Cassé, Accor's Senior Vice President and India chief.

Other global chains such as InterContinental Hotels Group (IHG), Starwood, Hilton, Hyatt and Marriott have similar plans. They all intend to increase the number of properties they operate at present by three or four times in the next few years. IHG, the world's largest hotel chain, according to an annual ranking by consultants MGK Hospitality, has around 2,000 rooms in India and will add another 13,300 by 2016. Marriott has 4,000 rooms and intends to raise the number to 8,000 by 2015. A report by consultancy firm Deloitte says that the number of rooms being managed by global chains is growing at 15 per cent annually, more than twice the growth of rooms in the hospitality industry as a whole.

This is despite the fact that occupancy in Indian hotels fell to 60 per cent last year against 72 per cent in 2008, as per a report by another hospitality consultancy, HVS. The worst hit was Pune, where only around 35 per cent of rooms were occupied. The softening of demand





ADITYA KAPOOR/www.indiatodayimages.com

has forced hotels countrywide to lower their room rates by 20 to 30 per cent from the high of 2007/08. But the global chains continue to be optimistic, insisting that India is the world's second-fastest growing hospitality market after China. "You will not get a doomsday story from the hospitality sector, because there isn't one," says Chris Moloney, Chief Operating Officer, South West Asia, and India head at IHG.

The chains, however, are putting in extra effort to protect themselves, to the extent possible, from the downturn's ill effects. For one, they are ensuring quality. Most chains do not own the properties that flaunt their brands; they only run them, after signing management contracts with the owners either right at the start, or on taking over existing hotels. But lately in India, chains such as Accor, Marriott and IHG have been getting involved with projects they intend to run even at the conception stage.

"The first opportunity may not always be the best opportunity"

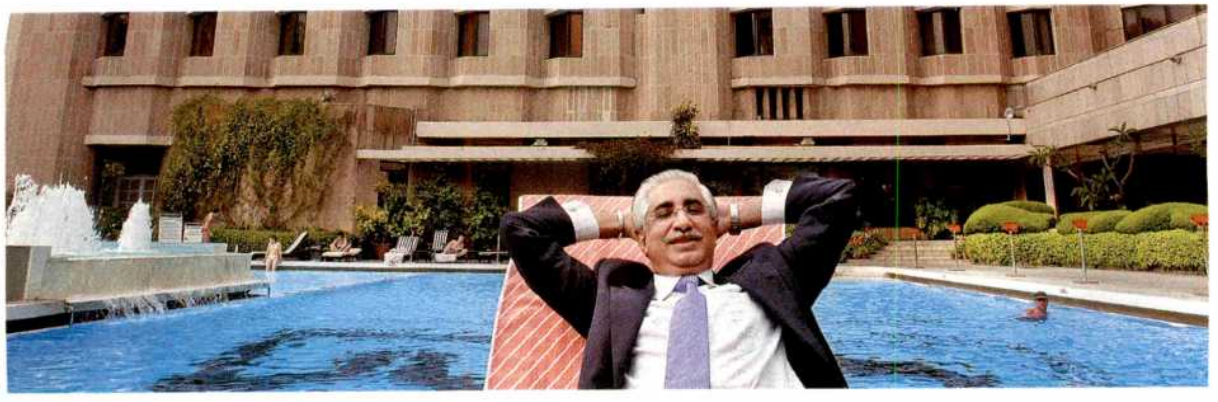
Jean-Michel Cassé,
Senior Vice President and India chief, Accor

"We have a predetermined plan for the layout and design of the hotel building and for every room," says Accor's Cassé. IHG has relocated its regional design expert or 'boffin' to Gurgaon from Singapore and streamlined the building process at all the properties it intends to manage. "This will reduce time taken to build the hotel from 48 months to 36, apart from saving costs," says Moloney.

For another, global chains rarely enter into equity partnerships with the owners of properties they manage. Yet Accor has acquired a 35 per cent stake in a joint venture with travel services firm Interglobe Enterprises to build and operate 20 mid-market properties under its Ibis brand. Similarly, Marriott and IHG have also invested in local properties.

The chains are also making concessions for the Indian market. Most mid-market hotels these chains run do not have attached restaurants, but in India their hotels in the same range have included restaurants, because customers expect them. "They are adopting the Indian approach to hospitality rather than adhering to the experiences accumulated in different parts of the world," says Nakul Anand, Executive Director of ITC Ltd, and head of its hotel operations.

Tying up with an international brand has obvious advantages for local landowners and realtors. "It raises the value of the property and gives the owner more credibility," says Timmy Kandhari, Executive



VIVAN MEHRA

"Global hotel chains are adopting the Indian approach to hospitality rather than adhering to the experiences accumulated in different parts of the world"

Nakul Anand, Executive Director, ITC Ltd

Director and Leader of Hospitality and Leisure at PwC India. It also provides an assured clientele, especially of overseas visitors who are loyal to the brand. "With international brands customers know what to expect," says Kulbhushan Kachru, Executive Vice President, South Asia, Carlson Hotels.

Again, the specialised knowledge such chains possess enables owners to buy equipment for their hotels at competitive prices. "I have saved almost 15 per cent of my anticipated costs, thanks to the Accor technical team," says Prabhu Kishore, a real estate developer in Visakhapatnam, Andhra Pradesh, who has tied up with the global chain Accor to run his hotel there. The team helped him zero in on kitchen utensils, sanitary ware and the like which were relatively cheap and of high quality.

The aggressive push by global chains has also forced domestic hoteliers to respond in kind. Just as the global chains, for instance, have divided up the upper-scale market into narrower segments, offering separate hotel brands for each; the domestic ones too, over the past decade, have been doing the same. "The chains have brought choice and innovation in differentiation," says P.R. Srinivas, Industry Lead, Tourism, Hospitality and Leisure, Deloitte. So, just as IHG has brands like Crown Plaza Hotels and Holiday Inn Express, the Taj Group of Hotels too now has different categories of hotels, such as Vivanta by Taj, The Gateway and Ginger, all at different price points, apart from the ultra-luxurious Taj hotels.

Starting a hotel calls for deep pockets: a new one takes about eight years to break even. With the real estate sector currently going through a low phase, funds are scarce, but this is precisely what some new international players see as an opportunity. US-based private equity firm Berggruen Holdings, for instance, has six hotels under its Keys Hotels brand, all acquired in the last six years, and plans a total of 18. "This is a capital-intensive and high-stress sector where new people were not investing, which is why we decided to put in our own money," says Sanjay Sethi, Managing Director and CEO, Berggruen Hotels, who has been getting two to three enquiries every week from chains seeking management contracts.

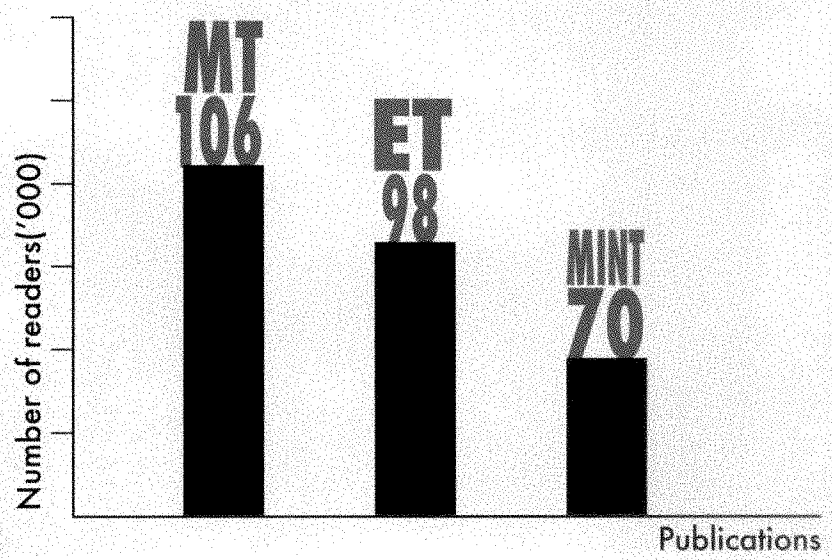
India has 114,000 hotel rooms at present, and despite the falling occupancy, industry insiders maintain there is a shortfall of almost 150,000 rooms. Whatever its current tribulations, the long-term prospects of the hospitality industry seem bright. ◆

Send your comments to editor.bt@intoday.com

THE INDIA TODAY GROUP

MAIL TODAY SURGES AHEAD OF ET AND MINT!

RACKS UP HIGHER NUMBER OF HOUSEHOLDS WITH MHI 30K+ IN DELHI & NCR.



MAIL TODAY

News for the new world

Source: IRS 2011 Q4. MHI: 30K+

Ballooning Appetite

India, the third biggest consumer of natural gas in Asia, is looking beyond its borders to meet its ever-growing demand. By ANILESH S. MAHAJAN

Many more needed: Shell's LNG terminal at Hazira in Gujarat

Countries that Export Natural Gas

Country	No of sites	Capacity	Coming up
Algeria	4	20.23	
Egypt	2	12.2	
Equatorial Guinea	1	3.7	
Yemen	1	6.7	
Nigeria	3	21.7	2
Cameroon	1	3.5	
Norway	1	4.3	
Trinidad and Tobago	1	15.1	
Abu Dhabi	1	5.6	

For the past six months, Ashok Kumar Balyan, Managing Director of Petronet LNG Ltd, has been working at a furious pace. He puts in at least 14 hours a day, travels 20 days a month and ensures all his employees are on their toes. Petronet, a joint venture in which public sector units have a large stake, was set up specifically to sew up contracts which would bring in liquefied natural gas (LNG) from across the world, as well as build terminals that would store it. With the need for more gas growing urgent, Petronet is feeling the pressure. "It is our time to grow," says Balyan. "LNG has a bright future in India."

Petronet is not alone. Most companies in the energy sector are working overtime, knowing natural gas use in India will balloon in the coming years. Consuming 165 million metric standard cubic metres per day (mmscmd) of natural gas, India is already its third biggest consumer in Asia, after Japan and South Korea, and is likely to equal South Korea's consumption by 2016, when it is likely to touch 380 to 400 mmscmd.

Natural gas has many advantages over fuels like coal and oil. "It is clean, more efficient and easy to handle," says Vandana Hari, Asia Editorial Director at global energy information research house, Platts. "India is a huge market for gas, having diverse customers." Currently, around 127 mmscmd of gas used is produced within the country, while the rest is imported. But given the recent disappointments over domestic natural gas output – the steadily falling levels at the KG D6 basin in Andhra Pradesh, for instance – imports are likely to rise considerably in coming years. "The gap between gas demand and supply is increasing," says Balyan. The International Energy Agency (IEA) expects India's gas imports, currently at around 23 per cent of its total requirement, to rise to 50 per cent by 2016.

Natural gas from overseas can be transported in two ways: through long pipelines across international borders or in giant tankers by the sea. When carried in tankers, it has to be first cooled to minus 163 degrees Celsius, when it turns into liquid or LNG. Deposited at storage terminals, it is warmed back into gas (re-gasified) and supplied to industries. But pipelines are subject to geopolitical risks. The Iran-Pakistan-India pipeline project, for instance, or the Myanmar-Bangladesh-India one, have both fallen through, while the fate of the Turkmenistan-Afghanistan-Pakistan-India pipeline hangs in the balance. LNG has thus become the preferred form for transportation.

At present, India has just two LNG storage and re-gasification terminals – Petronet's terminal at Dahej and Shell's at Hazira, both on the Gujarat coast – with a total capacity of 13.5 million metric tonnes per annum (mmtpa). But with a host of new ones on the anvil, storage capacity is expected to rise to 40 mmtpa by 2016. (See *Shoring Up*, page 81.)

R.P.N. Singh, Minister of State for

Expensive Resource

LNG, shipped from overseas, is much more expensive than domestically produced natural gas. The approximate prices of LNG and natural gas from different storage terminals

LNG

From Petronet's Dahej
7.5

From Petronet's Kochi*
13.2

From Shell's Hazira
10.3

NATURAL GAS

From ONGC/OIL
4.2

From RIL's KG D6
4.2

From RIL-BG's Panna-Mukta-Tapti
5.7

From various coal bed methane fields
6.8

Figures in $ per million metric British thermal unit (mmBtu)
*Expected
Source: E&Y analysis, Infraline

Oman	Qatar	Australia	Canada	Indonesia	Malaysia	Peru	Russia	US	Brunei
NO OF SITES: 2	NO OF SITES: 11	NO OF SITES: 3	COMING UP: 1	NO OF SITES: 8	NO OF SITES: 3	NO OF SITES: 1	NO OF SITES: 1	NO OF SITES: 1	NO OF SITES: 1
CAPACITY: 10.7	CAPACITY: 69.2	CAPACITY: 19.8	CAPACITY: 5	CAPACITY: 42.55	CAPACITY: 22.7	CAPACITY: 4.5	CAPACITY: 9.55	CAPACITY: 1.4	TOTAL CAPACITY: 7.2
		COMING UP: 5		COMING UP: 1				COMING UP: 2	

Figures in million metric tonnes per annum (mmtpa)
Source: E&Y

CALCUTTA CENTRAL

Petroleum, told Parliament recently that in the last three years, India had bought LNG from countries as diverse as Qatar, the United Arab Emirates, Oman, Malaysia, Russia, Australia, Algeria, Egypt, Nigeria, the US, Norway and Trinidad and Tobago. GAIL (India) Ltd, for example, has sealed two major contracts. In May 2009, it signed an agreement for 1.5 mmtpa of LNG for 20 years with energy giant ExxonMobil's Gorgon terminal in Australia. In December 2011, it sealed a deal with another energy behemoth, Cheniere, whose Sabine Park liquefaction facility in the US will provide 3.5 mmtpa of LNG for 20 years.

Hard at Work

GAIL has also opened an office in Singapore, the hub of LNG trade in Asia, to make striking deals easier. It has signed a memorandum of understanding with the Andhra Pradesh government to set up its own storage unit in the state. It also plans to build two float storage and re-gasification units (FSRU) in the Kakinada and Mahanadi basins of the state.

Indian Oil Corporation Ltd (IOCL) is building a 2.5 mmtpa storage terminal at Ennore on Chennai's northern fringe. It is also reportedly in talks with Tata Steel and Larsen & Toubro (L&T), promoters of Dhamra port in Orissa, to build a smaller storage facility there. State-owned Ratnagiri Gas and Power Ltd's (RPGL) has nearly completed building its five mmpta storage facility at Dabhol, Maharashtra, and expects its first shipment of LNG in early April.

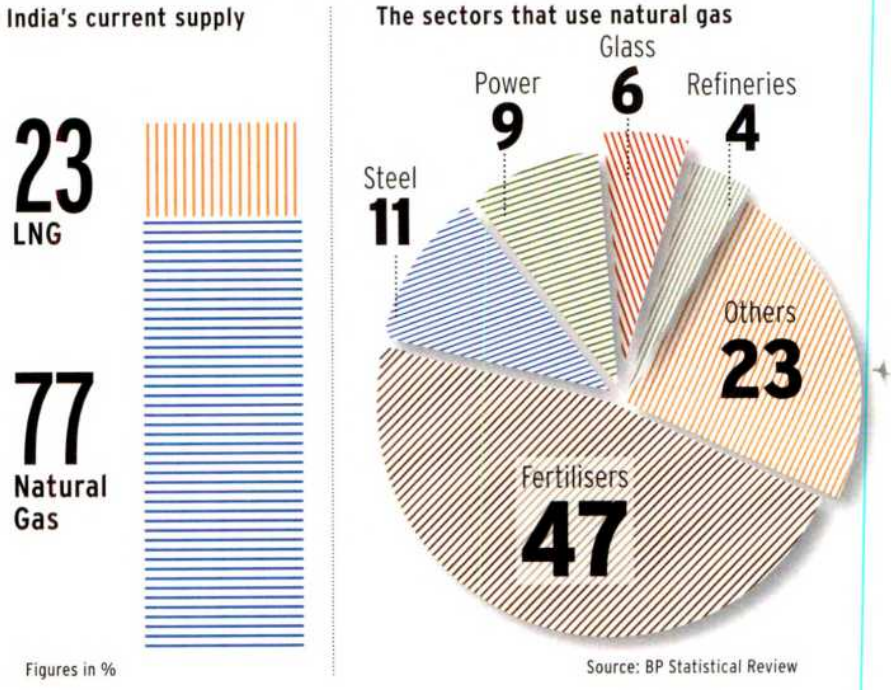
Petronet has finalised the location of another five mmtpa terminal at Gangavaram on the Andhra Pradesh coast. Its five mmtpa Kochi facility is almost ready, while the capacity of the Dahej terminal is being expanded to 15 mmtpa. What about LNG supply contracts? "Since things are at the negotiation stage, we are not in a position to divulge much," says Balyan. But he is pursuing them, even trying to buy equity stakes in some LNG companies overseas so that supply is guaranteed.

A joint venture between Gujarat State Petroleum Corporation (GSPC) and Adani Ports is building a five mmtpa terminal at the state's Mundra port, which is likely to offer between 15 and 25 per cent equity to the LNG provider to ensure steady supplies. "There are two more proposals for LNG terminals, one near Okhamandal and the other at Pipavav," says a top Gujarat government official.

An official from the JSW Group, which is building the Jaigarh port in Maharashtra, also confirmed plans to set up an FSRU there. The gas is likely to replace coal at JSW's power plants. Upcoming ports like Chara in Gujarat and Dighi in Maharashtra will also have small LNG storage units. Reliance Industries Ltd's (RIL) joint venture with BP, called India Gas Solutions (IGS), too, is looking to either set up its own storage terminals or acquire a stake in some of those being planned, though it claimed not to have taken any concrete step as yet. "There is speculation all around, but we are still in the planning mode, nothing is final," says Bibhas Ganguly, Vice Chairman, IGS.

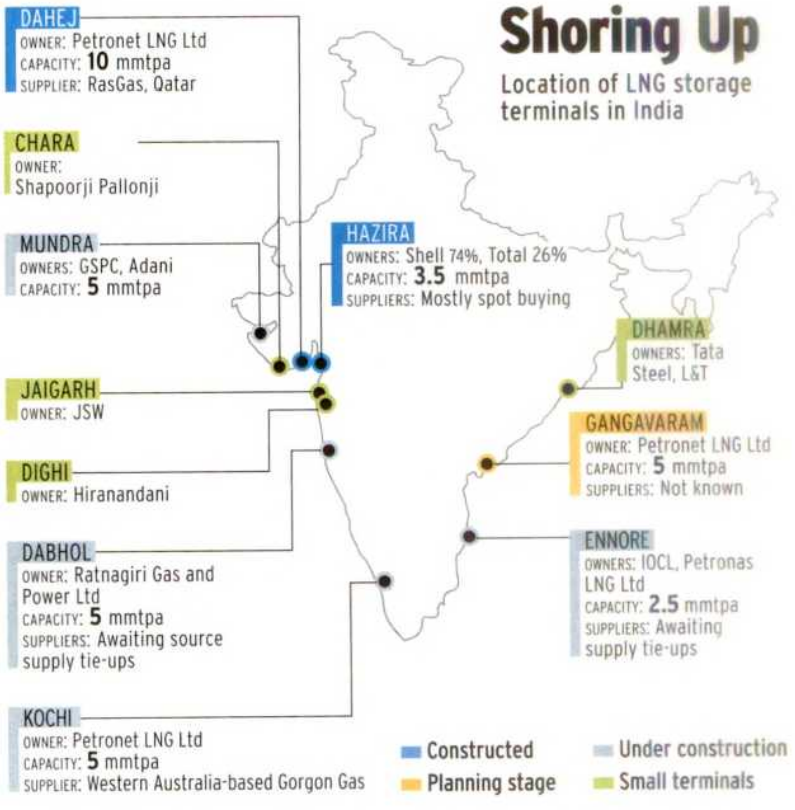
Since both the existing storage terminals are located in Gujarat, it is no surprise that the state consumes

Gasping for Gas



most of the LNG imported. About a third of the natural gas produced in the country is also sold to industries in Gujarat. But once the planned projects are completed, natural gas usage is likely to become much more evenly distributed, especially in the southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala.

But LNG storage facilities alone are not enough. They have to be complemented by a ecosystem of pipelines and related infrastructure. "You cannot transport gas beyond a distance on trucks," says Nitin Shukla, MD and CEO, Shell Hazira. "You need a good network of pipelines." But plans for these are still at an incipient stage. There is no doubt talk of setting up integrated gas grids and promoting more city-based gas distribution systems.



Source: Petroleum Ministry, E&Y

Pricing and its Challenges

The biggest challenge LNG importers will face, however, is pricing. Petroleum products cannot be sold at market rates in India, but are subject to a complex administered pricing system. Again, given the processes involved, imported LNG will always be much more costly than domestically produced natural gas. (See *Expensive Resource*, page 79.) Which industries should get which form of gas and how much? A committee to examine the issue, set up under the chairmanship of Planning Commission member Saumitra Chaudhuri, submitted its report last year, which is currently being examined by an empowered group of ministers (EGoM).

Before the report, there had been much talk of a 'price pooling mechanism' by which both domestic natural gas and imported LNG would be sold at the same price set by the government, an average of their market prices. While the Ministry of Power backed the idea, LNG importers opposed it vehemently, since it would have meant selling at nearly half the rate they are currently doing.

But the Chaudhuri committee too has turned down the idea and instead suggested that natural gas be reserved for power and fertiliser units only, since these are priority sectors and prices they charge are regulated too. In particular, sectors not regarded as 'core' should not be supplied domestic natural gas, but should use only LNG.

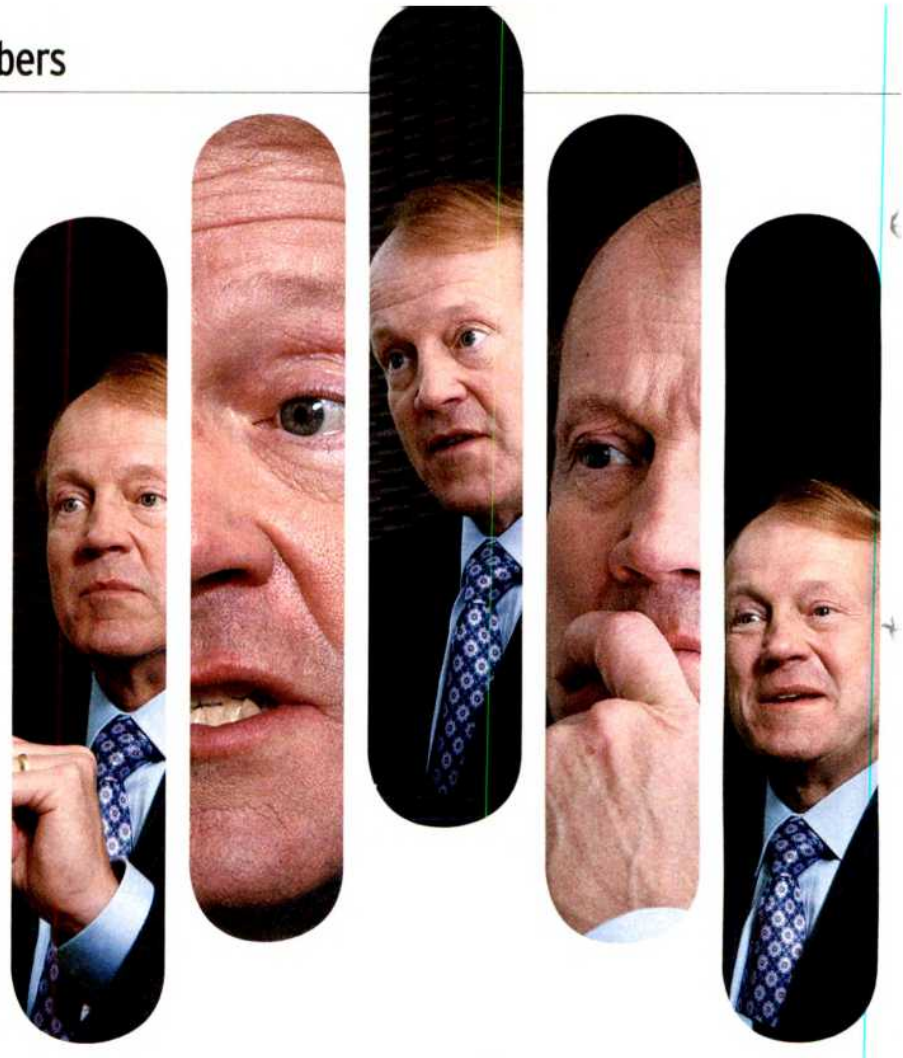
Will industries buy LNG, when the price differential with natural gas is so high? Petronet's Balyan dismisses the question. "Why are we not looking at LNG price versus crude oil prices," he asks. "There are big industrial houses which might find it cheaper to buy our gas at higher prices than currently charged because it will be cheaper than LPG and diesel." B.C. Tripathi, Chairman and Managing Director, GAIL, agrees. "There are many who want to shift from diesel, naphtha, kerosene and so forth," he says. Shell's Shukla maintains a key factor behind Gujarat's remarkable double digit growth in recent years, is the use of re-gasified LNG. "Between 2005 and 2010, businessmen in Gujarat saved $2 billion, by switching to natural gas," he says. ◆

"Between 2005 and 2010, businessmen in Gujarat saved $2 billion by switching over to gas"

Nitin Shukla, MD & CEO, Shell Hazira

Send your comments to editor.bt@intoday.com

A year ago, some of networking equipment maker Cisco's investors were clamouring for CEO **John Chambers's** *head. A series of missteps had resulted in both the company's profits and stock sliding. But Chambers, who has led the $43-billion company for the last 16 years, responded fittingly. With some deft cost cutting, which included laying off 6,500 people in 2011 and getting out of businesses such as the Flip video camera unit, he has restored the company to health. Its net income for the quarter ended January 2012 was $2.2 billion compared to $1.5 billion in the same period a year ago. Chambers visited India during the last week of March, when he spoke to* **Goutam Das.** *Edited excerpts:*



"Our growth is way

Are you happy with the progress Cisco has made in India so far?

We invested in India looking at where we want to be in five,10, 20 years. Our growth in India has usually been way above the industry average. We had a couple of tough quarters here and yet we gained market share. I am an optimist on India from a market perspective. This is also the second biggest R&D centre we have in the world. And we are not just R&D here – we are bringing in sales, business development and manufacturing.

You had announced that 20 per cent of CISCO's top executives would be re-located to the Bangalore globalisation centre. This has not happened. Is there a change in strategy?

Are we as committed now as we have ever been to India? Five years ago, we set a target most people thought was unlikely to be achieved – an aggressive goal of going from 1,700 people (in India) to 10,000. We will actually cross that number this year. Five years ago, we had one vice president. Today, we have 14. Five years ago, we had eight directors, today we have over 100. When Wim Elfrink [Chief Globalisation Officer] came over, he brought 20 executives with him to get the globalisation centre kick-started. Do we need more senior VPs here over the next three to five years? Absolutely. When you attempt to do something that has not been done, you've got to be realistic. There will be challenges in execution, and also challenges around whether this was the right thing to do.

Today, many of the top CEOs from around the world look at our centre here to create their own India models. We get 50 customer visits per month here, the majority of them coming from outside the country. So we are beginning to see the traction we want. Just yesterday (March 29), we announced two hot products, designed for emerging markets, designed in India.

For more go to
www.businesstoday.in/cisco

Connected Communities' business. Many such projects in India, like Lavasa, have not materialised. How do you assess the investment climate?

If you look at the investment climate in India for the next five to 10 years, we are all fine. I don't make my decisions based on a quarter or a year. You are going to see us increase our investments in India, partnering with Indian companies and with the government. We will also use India as our globalisation centre. This has been set up as our second headquarters throughout this region and for the world as a whole. Barring a major surprise such as a change in government policies, that is where we are going. At present, total hi-tech spending is much lower than people expected. We have traditionally seen growth in the 20 to 30 per cent range, or more – the current environment is a little more challenging.

But I was with the CEOs of a number of large Indian financial organisations yesterday – they are much more optimistic about India's growth in the seven per cent range than they were several quarters ago. What we focus on is what we can change and influence. We are focused on smart connected communities around the world. The programme based out of India is going well. ◆

above the industry average"

The restructuring at Cisco over the past year has its critics, who point out that though Cisco is looking good once more, the improvement has come about through cost-cutting, not innovation.

I disagree. Our results speak for themselves. Twelve to 15 months ago, there was a fair amount of criticism. It was partially fair. But how have we fared compared to our peers, especially Juniper and HP, in the last 12 months? We gained major market share versus Juniper last quarter. In data centre, a new product category and a market HP had said we would exit, we grew 91 per cent with a $2.5 billion current run rate. We gained 20 percentage points of market share. In video, we grew 23 per cent last quarter – another area some people said we should consider exiting. We are delivering with tremendous innovation.

During the last year, a vast majority of our customers increased their share of wallet spend with us. Are there areas of innovation we can improve on? Absolutely. But in terms of leadership in many product areas, our results have been solid.

Cisco used to be bullish about creating 'smart cities' with network as the backbone, what it calls the 'Smart plus

PHOTOGRAPHS BY DEEPAK G. PAWAR

Home and

Harsh Goenka is leading his part of the RPG empire firmly towards foreign shores in a bid to increase global revenues.

By SUMAN LAYAK and GEETANJALI SHUKLA

PHOTOGRAPHS BY NISHIKANT GAMRE

Global Goals

Increase **overseas revenues to 50%** of group turnover by 2015

Acquire IT infrastructure management company **in Europe**

Take over **electricity transmission company in the US**

Target LatAm and European markets with Ceat brand

Buy a **rubber plantation in Africa** for Harrisons Malayalam

Any discussion with Harsh Vardhan Goenka cannot be confined to business. The RPG Enterprises Chairman may well own the largest private art collection in India, and art is a constant distraction in his office in Worli, Mumbai, be it on the walls or in conversation. Again, no interview with him is complete unless it turns to matters gastronomical. Often, pinning down the businessman in Goenka is a challenge.

However, Goenka stresses that he means business, especially the global kind. It has been more than a year since he and his younger brother Sanjiv announced an amicable split in RPG Enterprises. Sanjiv now has his own identity with the RP-SG Group of companies,

the World

based in Kolkata (see *www.businesstoday.in/sanjivgoenka*). He has the more consumer-facing companies, including power company CESC Ltd, retailer Spencer's and music label Saregama. Goenka has infrastructure firm KEC International, tyremaker Ceat and software services company Zensar, which can easily be oriented toward a global consumer base.

The process of crafting a fresh identity for RPG Enterprises has seen the ₹15,000 crore conglomerate take two distinct steps. One, to push for more global revenues and two, to professionalise management.

By 2015, Goenka wants more than half of his group revenues to come from overseas. "There is a certain frustration with the hassle of doing business in India – the red-tapism and the corruption," he says.

Frank Hancock, head of corporate finance at Barclays Bank, believes this reflects a trend of capital flight from India. "Increasingly, we are seeing Indian promoters investing abroad in order to counteract what they perceive as too high a level of domestic political risk," he says.

"I want to divorce my companies of the need to have me lobbying in Delhi," says Goenka. With Sanjiv going his own way, Goenka admits that the group has lost its public face. And Goenka is not ready to step into those shoes now. "Years back I could have been the youngest president of (industry lobby) FICCI. I declined," he says. Perhaps he is happy Sanjiv has the India-facing businesses.

Prior to the split, the two brothers worked closely. Says Sanjiv: "We vibed very well and complemented each other." In early 2008, Goenka expected the undivided group to record revenues of ₹35,000 crore by 2012. It would have missed the mark by at least 20 per cent if it were still undivided today.

Goenka's disdain for lobbying sounds idealistic but impractical to S.P. Tulsian, an independent investor and market expert. "Harsh (Goenka) doesn't seem to be too ambitious. You have to lobby strongly in Delhi to be successful," says Tulsian.

Throw that at Goenka and he says he would rather be like Dilip Shanghvi of Sun Pharmaceuticals or Adi Godrej of the Godrej group. He believes they have scripted successes while maintaining a low profile.

Goenka's largest growth engine is KEC Ltd. The power and telecom tower company is seeking to ride the wave of re-investments in power distribution infrastructure in the United States. Its revenues have grown at a compound annual growth rate (CAGR) of 21 per cent over the last five years, crossing the billion dollar mark. Its order book has grown at a CAGR of 26 per cent and is at ₹9,000 crore now. KEC's footprint in the towers and engineering, procurement and construction (EPC) business has become visibly global after it acquired SAE Towers, which has a presence in the US and Brazil. Prabhudas Lilladher expects its earnings to grow 28.5 per cent till 2013/14.

> By 2015, Goenka wants more than half of his group revenues to come from overseas. KEC and Ceat will drive this growth

Ceat, the other growth engine, has been a troubled child in the face of huge opportunity. The company ended the first quarter of 2011/12 with a loss of Rs 41 crore. The next two quarters returned meagre profits.

But there is a clear opportunity ahead. In 2010, the company had acquired the global rights to the Ceat brand from Italian tyremaker Pirelli. This year, it will get the full rights to launch all kinds of tyres across the world, including Europe and Latin America, under the Ceat brand.

That is something the company's new Managing Director can look forward to. On April 1, Goenka handed over Ceat's reins to his son Anant, 30, who was the deputy MD.

Goenka himself had led Ceat when he was 23. "Anant is better educated than me and has better exposure," he says. The Goenka scion has studied at the Kellogg and Wharton B-schools. Earlier, he had done stints in KEC and Ceat as well as HUL, Accenture and Morgan Stanley (in Hong Kong).

7 REASONS TO SUBSCRIBE

TO INDIA'S NUMBER 1 NEWS & CURRENT AFFAIRS MAGAZINE

1. It is India's most-widely read publication.
2. It covers all issues of national and international importance.
3. It offers insightful analysis.
4. Its editorial integrity is uncompromised.
5. It reflects and shapes public opinion.
6. It's a complete package for today's readers, with four free magazines.*
7. Its special issues have become an industry standard, whether it is the Best Colleges Special issue or the Mood of the Nation poll.

+ BONUS | FREE GIFTS WITH EACH SUBSCRIPTION TERM

BEST OFFER

iON i5 Mobile
worth ₹. 3800 with
5 YEARS SUBSCRIPTION

REEBOK LAPTOP BAG
worth ₹. 2999 with
3 YEARS SUBSCRIPTION

BENETTON WALLET
worth ₹. 1299 with
1 YEAR SUBSCRIPTION

* India Today Woman, India Today Aspire, India Today Spice, India Today Home

YES! I WISH TO SUBSCRIBE TO INDIA TODAY.

Please tick your subscription choice and send the form to:
We Care, India Today, A-61, Sector 57, Noida - 201301, (U.P.), India

INDIA TODAY

TICK	TERM	NO. OF ISSUES	COVER PRICE (₹.)	YOU PAY (₹.)	SAVINGS	FREE GIFT
☐	5 years	260	7800	5100	35%	iON i5 Mobile worth ₹.3800/- (BEST OFFER)
☐	3 years	156	4680	3700	21%	Reebok Laptop Bag worth ₹.2999/-
☐	1 year	52	1560	1400	10%	Benetton Wallet worth ₹.1299/-

Please fill the form in CAPITAL LETTERS

I am enclosing Cheque/DD No.:_____ dated:_____ drawn on (specify bank):_____

favouring INDIA TODAY for ₹._____ (Add ₹. 10/- for non Delhi cheques)

Or, Please charge my Credit Card ☐ ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card Member's Name ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Card Expiry Date: M_____ Y_____

Card Member's Signature: _____ Date of Birth: D_____ M_____ Y_____

Name: _____ Address: _____

_____ City: _____ State: _____ Pin: _____

Ph (Res.): _____ Mobile: _____ Email: _____

ITE/MAG1/11

YOU MAY ALSO SUBSCRIBE THROUGH

*Terms & conditions apply.

SMS ITE to 52424

CALL us on Toll Free No. 18001800100 and (0120) 2479900

E-MAIL wecare@intoday.com

LOG ON TO www.indiatoday.in/subscribe

KEC INTERNATIONAL

TURNOVER: **$1 billion**
ORDER BOOK: **$2 billion** (approx.)

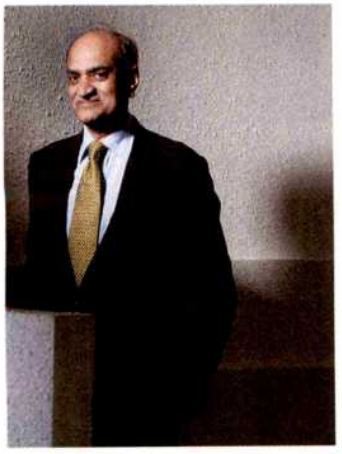
Moved from West Asia to Africa, South Africa and the Americas

64% of business is outside India

Acquired Brazil-based SAE Towers and Indian company Jay Signalling to address the American market and the railway signalling market

Eyeing acquisition in the US to address the distribution grid renewal market

Ramesh Chandak
Managing Director, KEC International



CEAT

TURNOVER: **$1 billion** (approx.)

Largest exporter of tyres from India. Largest in Sri Lanka

22% of business is global

Starting a factory in Bangladesh

Ceat branded products to be launched in Europe and South America this year

May set up a production centre in Africa or Eastern Europe to serve Europe

Anant Goenka
Managing Director, Ceat India

ZENSAR

TURNOVER: **$350 million**

Eyeing the **$1 billion** mark by 2016

Already in the US, Japan, China

Past acquisitions include OBT, Eza, ThoughtDigital, Akibia

Over **90%** of revenue is global

Eyeing acquisition in Europe to offer infrastructure management services

Joint venture likely in South Africa. Setting up new offices in China

Ganesh Natarajan
Vice Chairman and CEO, Zensar

Ceat is the largest branded exporter of tyres from India and is also a big player in Sri Lanka. The company is all set to commence radial production at its new plant in Halol, Gujarat. It is also setting up a new plant in Bangladesh. It will soon launch in Europe, but since technology is an issue, RPG will target the broader market rather than the high-end niche that Pirelli served.

Prabhudas Lilladher sees Ceat posting a profit of ₹66 crore next year versus a loss this year. The brokerage house's view on the company is based on the softening of rubber prices in international markets.

However, that softening may prove to be a double edged-sword for RPG Enterprises. Harrisons Malayalam, the group's tea and rubber company, has been split between the siblings. Goenka wants to take his part of Harrisons to Africa, buying a rubber plantation there.

Meanwhile, with $350 million in revenue, Goenka's information technology company, Zensar, is targeting the billion dollar mark by 2015. It is led by Managing Director Ganesh Natarajan, a former Nasscom chairman. The company intends to make a European acquisition in the current financial year apart from setting up new offices in China and West Asia.

After the split, Goenka has also tried to bring in more professionals and increase board-level involvement in the running of his companies. Over the last three years, he has brought in independent directors such as G.L. Mirchandani, VIP Industries' Dilip Piramal and former Unilever Philippines Chairman Venkatesh Kasturirangan on the boards of his group companies. This has lengthened board meetings, sometimes making them day-long affairs.

Goenka is now hunting for a group CFO and has also started centres of excellence within the group for functions such as human resources and finance. "At a very young age Mr Aditya Birla taught me how to capture group synergies. They call it the Knowledge Integration Programme," says Goenka, pointing in the general direction of the Aditya Birla Centre, headquarters of the AV Birla Group, next door.

Goenka took over the mantle of chairman from his father Rama Prasad Goenka in 1988, when he was 30. Today, at 54, he has to prove himself afresh. ◆

Send your comments to editor.bt@intoday.com

For Harsh Goenka's interview go to
www.businesstoday.in/harshgoenka

Harvard Business Review

www.hbr.org

Are You a Collaborative Leader?

How great CEOs keep their teams connected.

By HERMINIA IBARRA and MORTEN T. HANSEN

Watching his employees use a new social technology, Marc Benioff, the CEO of Salesforce.com, had an epiphany. His company had developed Chatter, a Facebook-inspired application for companies that allows users to keep track of their colleagues and customers and share information and ideas. The employees had been trying it out internally, not just within their own work groups but across the entire organisation. As Benioff read the Chatter posts, he realised that many of the people who had critical customer knowledge and were adding the most value were not even known to the management team.

The view into top management from the rank and file was just as obscure, Benioff knew. For instance, the company's annual management off-site was coming up, and he could tell from talking to employees that they wondered about what went on behind closed doors at that gathering. "They imagined we were dressing up in robes and chanting," he says.

What could he do to bring the top tier of the company closer to the workforce? Benioff asked himself. And then it hit him: Let's use Chatter to blow open the doors of the management off-site.

What greeted the 200 executives who attended that meeting was atypical. All 5,000 Salesforce.com employees had been invited to join them – virtually. Huge TV monitors placed throughout the meeting room displayed the special Chatter forum set up for the off-site. Every manager received an iPod Touch, and every table had an iPad, which attendees could use to post to the forum. A video service broadcast the meeting in real time to all employees, who could beam in and instantaneously express their views on Chatter, too.

The meeting began with the standard presentations. The managers watching them weren't quite sure what to do. Nothing unusual happened at first. Finally, Benioff grabbed the iPad on his table and made a comment on Chatter, noting what he found interesting about what was being said and adding a joke to spice it up. Some in the room followed with a few comments, and then employees watching from their offices launched a few comments back. The snowball started rolling. "Suddenly, the meeting went from a select group participating to the entire company participating," Benioff says.

Comments flew. "We felt the empowerment in the room," recalls Steve Gillmor, the head of technical media strategy.

In the end the dialogue lasted for weeks beyond the actual meeting. More important, by fostering a discussion across the entire organisation, Benioff has been able to better align the whole workforce around its mission. The event served as a catalyst for the creation of a more open and empowered culture at the company.

Like Salesforce.com's managers and employees, businesspeople today are working more collaboratively than ever before, not just inside companies but also with suppliers, customers, governments, and universities. Global virtual teams are the norm, not the exception. Facebook, Twitter, LinkedIn, videoconferencing, and a host of other technologies have put connectivity on steroids and enabled new forms of collaboration that would have been impossible a short while ago.

Many executives realise that they need a new playbook for this hyperconnected environment. Those who climbed the corporate ladder in silos while using a 'command and control' style can have a difficult time adjusting to the new realities. Conversely, managers who try to lead by consensus can quickly see decision making and execution grind to a halt. Crafting the right leadership style isn't easy.

As part of our research on top-performing CEOs (see *The Best-Performing CEOs in the World*, HBR, January-February 2010), we've examined what it means to be a collaborative leader. We've discovered that it requires strong skills in four areas: playing the role of connector, attracting diverse talent, modelling collaboration at the top, and showing a strong hand to keep teams from getting mired in debate. The good news is, our research also suggests that these skills can be learned – and can help executives generate exceptional long-term performance.

Play Global Connector

In his best-selling book *The Tipping Point*, Malcolm Gladwell used the term 'connector' to

TAKING YOUR COLLABORATIVE **PULSE**

Play Global Connector

Do you attend conferences outside your professional specialty?

Are you part of a global network like Young Presidents' Organization?

Do you regularly blog or e-mail employees about trends, ideas, and people you encounter outside your organisation?

How often do you meet with parties outside your company (competitors, consumers, government officials, university contacts, and so on) who are not directly relevant to your immediate job demands or current operations?

Are you on the board of any outside organisations?

COLLABORATION DOES NOT EQUAL CONSENSUS

Collaborative leadership is the capacity to engage people and groups outside one's formal control and inspire them to work towards common goals – despite differences in convictions, cultural values, and operating norms.

Most people understand intuitively that collaborative leadership is the opposite of the old command-and-control model, but the differences with a consensus-based approach are more nuanced. Below are some helpful distinctions between the three leadership styles.

COMPARING THREE STYLES OF LEADERSHIP

	COMMAND AND CONTROL	CONSENSUS	COLLABORATIVE
ORGANISATIONAL STRUCTURE	Hierarchy	Matrix or small group	Dispersed, cross-organisational network
WHO HAS THE RELEVANT INFORMATION?	Senior management	Formally designated members or representatives of the relevant geographies and disciplines	Employees at all levels and locations and a variety of external stakeholders
WHO HAS THE THORITY TO MAKE FINAL DECISIONS?	The people at the top of the organisation have clear authority	All parties have equal authority	The people leading collaborations have clear authority
'HAT IS THE BASIS ACCOUNTABILITY AND CONTROL?	Financial results against plan	Many performance indicators, by function or geography	Performance on achieving shared goals
WHERE DOES IT WORK BEST?	Works well within a defined hierarchy; works poorly for complex organisations and when innovation is important	Works in small teams; works poorly when speed is important	Works well for diverse groups and cross-unit and cross-company work, and when innovation and creativity are critical

describe individuals who have many ties to different social worlds. It's not the number of people they know that makes connectors significant, however: it's their ability to link people, ideas, resources that wouldn't normally bump into one another. In business, connectors are critical facilitators of collaboration.

For David Kenny, President of Akamai Technologies, being a connector is one of the most important ways he adds value. He spends much of his time travelling around the world to meet with employees, partners, and customers. "I spend time with media owners to hear what they think about digital platforms, Facebook, and new pricing models, and with Microsoft leaders to get their views on cloud computing," he says. "I'm interested in hearing how our clients feel about macroeconomic issues, the G20, and how debt will affect future generations." These conversations lead to new strategic insights and relationships, and help Akamai develop critical external partnerships.

Connecting the world outside to people inside the company is crucial to Kenny. He uses a number of tactics to do this. "First, I check in on Foursquare often and post my location to Facebook and Twitter," he says. "It lets employees in different Akamai locations know I'm in town so that anybody at any level can bring me suggestions or concerns. Second, every time I go to one of our locations, I have lunch or coffee with 20 to 40 people. We go around the room, and people ask questions on topics they most want to address. Often my answer is to connect them with others in Akamai or even people at other companies who have expertise on the topic. Third, if I see a big opportunity when meeting with a customer or colleague, I will schedule a follow-up visit and bring along the right experts from Akamai. Fourth, whenever I travel, I try to make room to meet with two to three people I know in that location. Whenever possible, I bring someone else from Akamai with me to those meetings."

Kenny's networking recently resulted in an important strategic alliance with Ericsson. Akamai is now working with the mobile giant to change consumers' Internet experiences on mobile devices. The partnership evolved out of a conversation Kenny had with a mid-level Ericsson executive two years ago at the Monaco Media Forum. "It really changed my idea of what Ericsson could be, and I saw that we were both trying to solve a similar technical problem," Kenny says. "Then I worked through mutual friends to meet their CEO and arranged for the right people on his team to meet with their Akamai counterparts."

Presidents and CEOs aren't the only executives building bridges between their organisations and the outside world nowadays. Take Beth Comstock, the chief marketing officer of General Electric. She is famous for her weekly 'BlackBerry Beth' blog, in which she shares what she has learned in her external role for busy (and perhaps more internally focused) GE managers. The pithy and provocative blog goes out to thousands of GE's sales, market-

ing, and technology leaders. In it, Comstock passes along interesting information that people might have missed, taking care to tie it back to challenges and opportunities GE faces. For example, in a recent post from the World Economic Forum, she reported that a panel of scientists had come to the same conclusion that a GE survey had – that technology alone cannot ensure innovation and that more training in creativity is needed.

"I work hard to curate information that I don't believe many at GE will have heard and to translate information in a way that is relevant to our challenges," says Comstock. "I probably spend half of my time immersed in worlds beyond GE. I hope this encourages my colleagues to be more externally focused. The message is 'If I find it important to spend some of my time this way, maybe you will, too.'"

To connect their organisations to the wider world, collaborative leaders develop contacts not only in the typical areas – local clubs, industry associations, and customer and supplier relations – but beyond them. Networking in adjacent industries, innovation hot spots like Silicon Valley, or emerging economies or with people of different educational or ethnic backgrounds helps open their eyes to new business opportunities and partners. For example, Comstock's external contacts in the innovation space led GE to NASA, with which the corporation has shared insights and best practices. The two organisations have also begun discussions about space technologies that might have applications in health care.

Engage Talent at the Periphery

Research has consistently shown that diverse teams produce better results, provided they are well led. The ability to bring together people from different backgrounds, disciplines, cultures, and generations and leverage all they have to offer, therefore, is a must-have for leaders. Yet many companies spend inordinate amounts of time, money, and energy attracting talented employees only to subject them to homogenising processes that kill creativity. In a lot of multinational companies, for example, nonnative English speakers are at a disadvantage. To senior management, they don't sound as 'leader-like' as the Anglophones, and they end up getting passed over for promotions. At a time when innovations are increasingly originating in emerging markets, companies that allow this to happen lose out.

France's Danone, one of the top performers in our research, makes sure its executives don't encounter such obstacles. When all the managers worldwide get together for the company's annual strategic review, many choose to present in their native tongue. Says CEO Franck Riboud: "We spend a fortune on interpreters so that being less articulate in English is not a barrier. Some of our executives have even presented their business case in native dress. This helps us steal away talent from competitors where those who don't speak perfect English get stuck."

Reckitt Benckiser, the UK-based producer of home, health, and personal care products and another top performer in our research, considers the diversity of its workforce to be one of its competitive advantages – and a key reason it has seen net income grow 17 per cent annually, on average, from 1999 to 2010. No nationality dominates the company's senior team. Two executives are Dutch, one is German, two are British, one is South African, two are Italian, and one is from India. According to former CEO Bart Becht: "It doesn't matter whether I have a Pakistani, a Chinese person, a Brit, or a Turk, man or woman, sitting in the same room, or whether I have people from sales or something else, so long as I have people with different experiences – because the chance for new ideas is much greater when you have people with different backgrounds. The chance for conflict is also higher – and conflict is good per se, as long as it's constructive and gets us to the best idea."

As Becht suggests, nationality isn't the only kind of diversity that matters. Research on creative industries shows that the collaborations that are most successful (whether in terms of patent citation, critical acclaim, or financial return) include both experienced people and newcomers and bring together people who haven't worked with one another before. Leaders need to make a concerted effort to promote this mix: Left to their own devices, people will choose to collaborate with others they know well or who have similar backgrounds. Static groups breed insularity, which can be deadly for innovation. Nokia's former executive team, for example, was 100 per cent Finnish and had worked closely together for more than a decade. Many believe

TAKING YOUR COLLABORATIVE PULSE

Engage Talent at the Periphery

How diverse is your immediate team in terms of nationality? Gender? Age?

How much time do you spend outside your home country?

Have you visited your emerging markets this year?

Does your network include people in their twenties (who *aren't* your kids)?

Subscribe to Business Today
Clinch the smartest deal in seconds!

THE INDIA TODAY GROUP

FREE
with 2 years Subscription: Business Today Gift Set worth ₹650/-

business today
FOR MANAGING TOMORROW

Term	No. of Issues	You Pay (₹)	You Get
2 Years	52	1560	Business Today Gift Set worth ₹650/- Best Buy
1 Year	26	~~780~~ 695	11% Discount on the Cover Price

Please fill in the form and send it back to us in the address mentioned below

Business Today Subscription Form

Send form with payment to LIVING MEDIA INDIA LTD., A-61, Sector 57, NOIDA-201301 (U.P.)

Yes! I would like to subscribe for:

☐ 2 Years (52 Issues) : Pay ₹ 1560/- Get Business Today Gift Set worth ₹ 650/- Best Buy

☐ 1 Year (26 Issues) : Pay ₹ ~~780/-~~ ₹ 695/- Get 11% Discount on the Cover Price

Name..... Address.....

.....City.....

Postal Code.....Tel./Mobile.....E-mail.....

Payment Details:

☐ Charge my Credit Card ☐ VISA ☐ MasterCard ☐ American Express

Card No.....

Expiry.....Signature.....

Payment Enclosed: ☐ Cheque ☐ DD No.....(in favour of Living Media India Limited. For non-Delhi cheques, please add ₹ 50/-)

Subscription Terms & Conditions: This authorises us to communicate about our products & promotions through mail/phone/printed material / email etc. This authorisation is irrespective of my instruction elsewhere of not to be contacted or informed over phone/email/mail etc. Cover Price of BT is ₹ 30. ☐Special Rates and offer valid in India only for a limited period. ☐Allow 3-4 weeks for processing of subscription ☐Your free gifts will reach you in about 6 weeks of commencement of your subscription. ☐Add Rs. 50/- for non-Delhi cheques. ☐Superscribe your name and address on the reverse of the cheque/DD ☐All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only. ☐Business Today can revise this offer any time at its discretion without any prior intimation. ☐Subscription can not be cancelled once the free gifts are despatched. Terms & conditions apply.

BT 29th April 2012

homogeneity explains why the team failed to see the smartphone threat emerging from Silicon Valley.

Collaborative leaders ensure that teams stay fresh via periodic infusions of new players. Including employees from Generation Y – those born from the mid-1970s to the early 2000s, who have grown up sharing knowledge and opinions online – is another obvious way to enliven collaborations. A number of leading companies have begun using technology to harness Gen Y ideas and perspectives. Salesforce.com, as we have seen, brought them in from the periphery by using Chatter to open its management off-site to all staff. At India's HCL, employees throughout the company join virtual conversations on topics that are important to them, and CEO Vineet Nayar reaches out personally through a popular blog that allows him to interact with a broad cross section of employees. In a market where the competition for engineering talent is fierce, the ability to attract the best and brightest helped HCL grow 30 per cent annually from 2008 to 2010.

Collaborate at the Top First

It's not enough for leaders to spot collaborative opportunities and attract the best talent to them. They must also set the tone by being good collaborators themselves. All too often, efforts to collaborate in the middle are sabotaged by political games and turf battles higher up in the organisation. Consider that Microsoft, according to a former company executive writing in *The New York Times* last year, developed a viable tablet computer more than a decade ago but failed to preempt Apple's smash hit because competing Microsoft divisions conspired to kill the project.

Part of the problem is that many leadership teams, composed of the CEO and his or her direct reports, actually don't operate as teams. Each member runs his or her own region, function, or product or service category, without much responsibility – or incentive – for aligning the organisation's various projects and operations into a coherent whole.

At Brazil's Natura Cosméticos, CEO Alessandro Carlucci has instituted a comprehensive 'engagement process' that promotes a collaborative mind-set at all levels and has helped the firm win a top spot on *Fortune*'s list of best companies for leaders. The process was implemented after Natura's highly successful IPO in 2004, when competing agendas among the senior managers began to threaten the company's prospects. Carlucci decided he needed to reorganise the executive committee to unify its members around common goals and stop the power struggles. He asked the members of the top team to make a commitment to self-development as part of their stewardship of the company.

Each executive embarked on a 'personal journey' with an external coach, who met with everyone individually and with the team as a group. "It is a different type of coaching," Carlucci explains. "It's not just talking to your boss or subordinates but talking about a person's life history, with their families; it is more holistic, broader, integrating all the different roles of a human being."

Roberto Pedote, Natura's Senior Vice President for finance, IT, and legal affairs, adds: "I think that the main point is that we are making ourselves vulnerable, showing that we are not supermen, that we have failures; that we are afraid of some things and we don't have all the answers."

Since the engagement process was adopted, Natura's executives have become much better at teaming up on efforts to improve the business, which grew by 21 per cent in 2010. The collaborative mind-set at the top has cascaded down to the rest of the organisation, and the process has been rolled out to all the company's managers.

If leaders are to encourage more innovation through partnerships across sectors and with suppliers, customers, and consumers, they need to stop relying heavily on short-term performance indicators. According to the psychologist Carol Dweck, people are driven to do tasks by either performance or learning goals. When performance goals dominate an environment, people are motivated to show others that they have a valued attribute, such as intelligence or leadership. When learning goals dominate, they are motivated to *develop* the attribute. Performance goals, she finds, induce people to favour tasks that will make them look good over tasks that will help them learn. A shift towards learning goals will make managers more open to exploring opportunities to acquire knowledge from others.

At HCL, CEO Vineet Nayar demonstrated his commitment to collaboration by adopting a radically different 360-degree evaluation

TAKING YOUR COLLABORATIVE **PULSE**

Collaborate at the Top First

Do members of your team have any joint responsibilities beyond their individual goals?

Does the compensation of your direct reports depend on any collective goals or reflect any collective responsibilities?

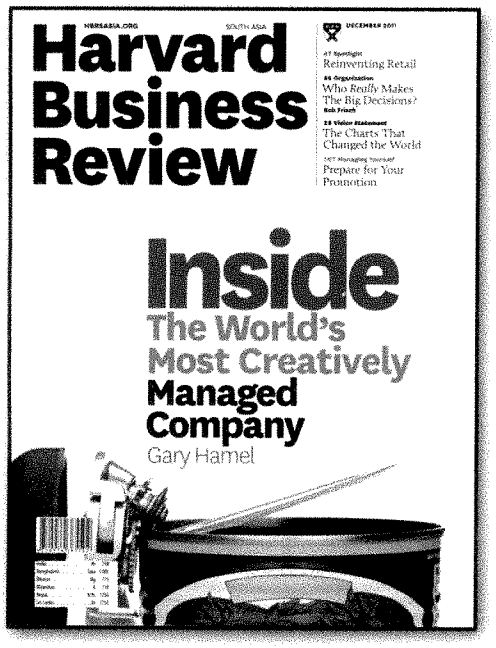
What specifically have you done to eradicate power struggles within your team?

Do your direct reports have both performance and learning goals?

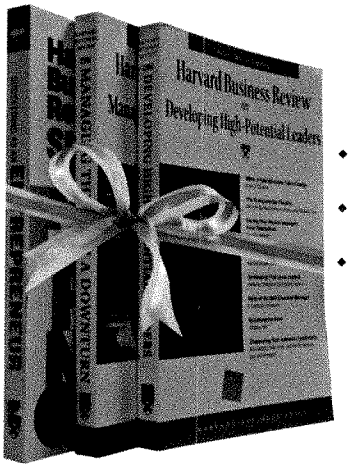
Harvard Business Review

INVEST IN YOURSELF!

Subscribe to HBR South Asia and...



- Save upto 56% off the cover price
- Get complimentary access to 4 live webinars worth Rs.6000, with renowned global thought leaders
- Get a complementary set of HBR books worth upto Rs.1785
- Complete access to 2400+ articles on HBR archive online with premium access



- HBR on Developing High Potential Leaders.
- HBR on Succeeding as an Entrepreneur
- HBR on Managing Through a Downturn

2 Year Offer

3 HBR PAPERBACK SERIES: ₹1785/-

For quicker service, logon to www.hbrsasia.org

SUBSCRIPTION FORM

ES! Please enroll my subscription to Harvard Business Review - South Asia for the term indicated below:

SELECT YOUR TERM	ISSUES	PRICE	SAVE	OFFER PRICE	GIFT	
2 year Premium (Print + Online) Access to HBR archives online	*24	₹23,000	43%	₹13,000	3HBR Paperback Series Worth ₹1785/-	• HBR on Developing High-Potential Leaders. • HBR on Succeeding as an Entrepreneur • HBR on Managing Through a Downturn
2 year Print only	*24	₹18,000	56%	₹8,000		
1 year Premium (Print + Online) Access to HBR archives online	*12	₹11,500	43%	₹6,500	2HBR Essential Series Worth ₹990/-	• Entrepreneur's Toolkit: Tools and Techniques to Launch and Grow your New Business • Performance Management: Measure and Improve the Effectiveness of your Employees
1 year Print only	*12	₹9,000	56%	₹4,000		

Best Buy

me (Mr./Ms.) _____

dress _____

☐ Home ☐ Office

_____ Post Code _____ Tel (H) _____

_____ Fax _____ Email _____ ☐ New ☐ Renew _____

(please indicate your customer number)

oose one:

Charge my credit card: ☐ VISA ☐ ☐

Card No. _____ Expiry _____ Signature _____

Enclosed is my ☐ Cheque ☐ DD No. _____ (in favour of Living Media India Ltd. For non-Delhi cheques please add ₹50)

Please tick this box to authorise HBR SA to get in touch with you.

s authorises HBR SA to communicate about its products & promotions through mail/phone/printed material / email etc. *This authorisation is irrespective of my instruction elsewhere of not to be contacted or informed over phone/email/mail etc

rvard Business Review is published monthly, except for the Jan/Feb & July/August double issues which count as 2 issues each.

scription Terms & Conditions: Harvard Business Review South Asia Cover price is ₹750/- *Savings are off the cover price *Special rates and offer valid in India for a limited period only *Allow 4-6 weeks for processing of your subscription and dispatch e free gift.*Add ₹50/- for non-Delhi cheques *It will not be possible to entertain any cancellation once the free gift has been dispatched. ***Superscribe your name and address on the reverse of the cheque/DD** *All disputes are subject to the exclusive diction of competent courts and forums in Delhi/New Delhi only *HBR SA will not be responsible for any postal delays, transit losses or mutilation of the subscription form *By filling the subscription form, the subscriber understands and agrees to all the s and conditions of the offer *Terms & conditions apply.

4 EASY WAYS TO CONTACT US

(0120) 2479945

BT 29th April 2012

for his top managers – one that invited a wide range of employees to weigh in. Although the company had done 360-degree reviews before, each manager had been assessed by a relatively small number of people, mostly within the manager's immediate span of control. As Nayar recalls in his book *Employees First, Customers Second* (Harvard Business Review Press, 2010), "most of the respondents operated within the same area as the person they were evaluating. This reinforced the boundaries between the parts of the pyramid. But we were trying to change all that. We wanted to encourage people to operate across these boundaries." Nayar set the tone by posting his own 360-degree evaluation on the web. Once executives got used to the new transparency, the 360-degree reviews were expanded to a broader group. A new feature, "Happy Feet", was added, allowing all employees whom a manager might affect or influence to evaluate that manager – regardless of their reporting relationship.

Depoliticizing senior management so that executives are rewarded for collaborating rather than promoting their individual agendas is an absolute essential. At Reckitt Benckiser, there's little tolerance for politics. Says Bart Becht: "We go out of our way to make sure that politics get eradicated, because I think they're very bad for an organisation. I think they're poison, to be honest with you." Becht's direct, no-nonsense style and the expectation that people should openly disagree with one another in meetings also help keep politics to a minimum, allowing real teamwork to take hold.

TAKING YOUR COLLABORATIVE **PULSE**

Show a Strong Hand

Have you killed any collaboration projects in the past six months?

Do you manage dynamically – forming and disbanding teams quickly as opportunities arise?

Do the right people in your organisation know they can 'close' a discussion and make a decision?

Does your team debate ideas vigorously but then unite behind decisions made?

Show a Strong Hand

Once leaders start getting employees to collaborate, they face a different problem: overdoing it. Too often people will try to collaborate on everything and wind up in endless meetings, debating ideas and struggling to find consensus. They can't reach decisions and execute quickly. Collaboration becomes not the oil greasing the wheel but the sand grinding it to a halt.

Effective collaborative leaders assume a strong role directing teams. They maintain agility by forming and disbanding them as opportunities come and go – in much the same way that Hollywood producers, directors, actors, writers, and technicians establish teams for the life of movie projects. Collaborative efforts are highly fluid and not confined to company silos.

Effective leaders also assign clear decision rights and responsibilities, so that at the appropriate point someone can end the discussion and make a final call. Although constructive confrontation and tempered disagreements are encouraged, battles aren't left raging on. This is exactly how things work at Reckitt Benckiser. When teams meet, people know that it is OK – in fact expected – to propose ideas and challenge one another. They debate loudly and furiously until the best idea wins. If no obvious agreement is reached in time, the person chairing the meeting normally makes a decision and the rest of the group falls in line. This ensures vigorous debate but clear decisions and quick action – diversity in counsel, unity in command, as Cyrus the Great once said.

Loosening Control without Losing Control

In the old world of silos and solo players, leaders had access to everything they needed under one roof, and a command-and-control style served them well. But things have changed: The world has become much more interconnected, and if executives don't know how to tap into the power of those connections, they'll be left behind.

Leaders today must be able to harness ideas, people, and resources from across boundaries of all kinds. That requires reinventing their talent strategies and building strong connections both inside and outside their organisations. To get all the disparate players to work together effectively, they also need to know when to wield influence rather than authority to move things forward, and when to halt unproductive discussions, squash politicking, and make final calls.

Differences in convictions, cultural values, and operating norms inevitably add complexity to collaborative efforts. But they also make them richer, more innovative, and more valuable. Getting that value is the heart of collaborative leadership. ◆

Herminia Ibarra *is the Cora Chaired Professor of Leadership and Learning at Insead.* **Morten T. Hansen** *is a management professor at the University of California, Berkeley, School of Information, and at Insead.* *This article was published in* HBR, *July-August 2011. All rights reserved.*

CALCUTTA

MONEY

CROSS CURRENTS
HIGH DEMAND FROM POULTRY SECTOR IN SOUTH-EAST ASIA CAN BOOST MAIZE PRICES

Prepare for a Mixed Harvest

The World Bank's predictions for 2012 on price movement of commodities may not all hold true in the domestic market.

By RAHUL OBEROI

The year 2012 may be tough for commodity investors, especially those who have exposure to agricultural commodities and edible oils. A World Bank report, *Global Economic Prospects*, released in January, says prices of agricultural commodities and edible oils are likely to remain under pressure due to improved supply. The report says the global price of rubber is expected to decline 30 per cent, while prices of wheat, maize, refined soya oil and crude palm oil are likely to fall nine per cent, 12 per cent, 16 per cent and 20 per cent, respectively, from 2011 levels. What will this mean for Indian investors? While global trends may be reflected in some commodities, experts feel domestic prices of maize and soya oil may move in a different direction from the global market.

In Sync

RUBBER

World Bank View: Rubber prices reached their historic high in 2011 due to weather-related supply disruptions in South-East Asian rubber-producing countries, which account for 90 per cent global production of natural rubber. However, due to lower prices of crude oil, a key input of synthetic rubber, and weak demand for tyres due to the general economic downturn, prices moderated and ended the year 46 per cent below their February 2011 peak. The bank has predicted that global

MIXED FORECAST
Market experts feel domestic prices of maize and refined soya oil may move in a different direction than prices in the global market

*Price level projected by analysts for 2012

	Maize	Wheat
TARGET PRICE*	₹1,400	₹1,150
JAN 1, 2011	₹1,002.5	₹1,320
DEC 31, 2011	₹1,131	₹1,170
% CHANGE	12.82	-11.36

per quintal

per quintal

prices of natural rubber will fall 30 per cent in 2012 from the December 2011 level.

Domestic Outlook: Indian experts too expect rubber prices in the country to fall in 2012. C.P. Krishnan, a whole time director at Geojit Comtrade, says: "On the back of rising production and slowing car sales, the price of natural rubber can touch ₹17,500 per 100 kg in the ongoing calendar year." In India, rubber in Kochi touched a high of ₹24,100 per 100 kg in April 2011. On December 31, 2011, it was trading at ₹19,750 per 100 kg. Between January 2011 and December 2011, the price fell five per cent due to higher production and lower demand.

On January 30, 2012, rubber was trading at ₹19,566 per 100 kg on the National Commodity and Derivatives Exchange (NCDEX). "Uncertain global and domestic economic outlook and slowing car sales hit the demand for natural rubber in 2011. Favourable weather also increased output and lowered prices," says Krishnan. According to the Rubber Board of India, rubber trees planted over 14,000 hectares seven years ago are now turning productive. In the last quarter of 2011, India's natural rubber production was 288,000 tonnes while consumption was 242,000 tonnes. On the flipside, the Society of Indian Automobile Manufacturers Association expects car sales to recover in 2012/13 as economic conditions improve. Market experts feel this may arrest any sharp fall in prices.

DOWNWARD SPIRAL
World Bank's 2012 price projections

Rubber	-30%
Crude Palm Oil	-20%
Refined Soya Oil	-16%
Maize	-12%
Wheat	-9%

WHEAT

World Bank view: The World Bank is anticipating that global prices of wheat will decline nine per cent in 2012, compared to the December 2011 level.

Domestic Outlook: Experts say wheat prices in India have very little correlation with global prices. Being an essential commodity, its free trade is restricted. India has been creating new records in wheat production for the last couple of years.

According to a report by SMC Investments and Advisors, wheat can find strong support at ₹1,050 per quintal in the current calendar year. On February 1, it was trading at ₹1,240.75 per quintal on NCDEX. Dharmesh Bhatia, Associate Vice President (Research) Kotak Commodities, says: "Good weather is expected to help production touch a record. The buffer stock is at record levels. The Food Security Bill will require the government to store huge stocks of foodgrain. So, it has been cautious in allowing export of foodgrain despite record availability. Therefore, it seems that the commodity is likely to remain under pressure in the domestic market."

Experts feel a comfortable supply situation will soften prices when the harvest starts in April. "Assuming normal weather and record production, wheat prices in Delhi can drop to ₹1,150 per quintal in 2012. Private sector buying could emerge below these levels," says Bhatia.

CRUDE PALM OIL

World Bank view: The supply of crude palm oil, used in consumer products ranging from shampoo to chocolates and cosmetics, is expected to increase in 2012. The bank has predicted that prices will

Rubber		Refined Soya Oil		Crude Palm Oil	
TARGET PRICE*	₹17,500	TARGET PRICE*	₹740	TARGET PRICE*	₹460
JAN 1, 2011	₹20,755	JAN 1, 2011	₹633.50	JAN 1, 2011	₹570
DEC 31, 2011	₹19,750	DEC 31, 2011	₹723.20	DEC 31, 2011	₹545.70
% CHANGE	-4.84	% CHANGE	14.16	% CHANGE	-4.26
per 100 kg		per 10 kg		per 10 kg	

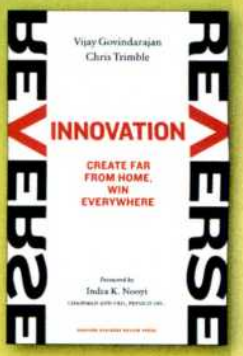
Harvard Business Review

THE INDIA TODAY GROUP

REVERSE INNOVATION EXPLAINED

BY VIJAY GOVINDARAJAN, THE NO.3 GURU ON THE THINKERS 50 LIST

Harvard Business Review South Asia presents a webinar with **Vijay Govindarajan** on **Reverse Innovation: Create Far from Home, Win Everywhere.**



www.webinar.hbrsasia.org

FREE for all HBR South Asia subscribers

Strategy & Innovation Guru Vijay Govindarajan, Professor of International Business at the Tuck School of Business, and the man who gave us 10 rules for strategic innovators, shows why reverse innovation is on the rise, and why its implications are so profound – for nations, companies, and individuals. This webinar is part of HBR South Asia's continuing effort to provide exclusive access to Global Thought Leaders.

To join, REGISTER NOW at www.webinar.hbrsasia.org or contact	
Rohit Chauhan, Mob.: +91 99109 91115, e-mail: **rohit.chauhan@intoday.com**	**Shanta Kanjilal**, Mob.:+91 88003 83388, email: **shanta.kanjilal@intoday.com**

Webinar Details		
Date	:	**May 3, 2012**
Venue	:	**Online**
Time	:	**5:30 pm till 6:30 pm**
Individual User Only1 person is authorized to view the virtual seminar	:	**Rs.1,500/-***
Corporate/Institutional User Unlimited viewers can watch but access ID to be limited to 5	:	**Rs.5,000/-***

***Inclusive of Service Taxes**

An HBR subscription gets you complimentary access to these webinars and more, so SUBSCRIBE NOW.

4 EASY WAYS TO SUBSCRIBE

(0120) 2479945
Toll Free No.: 1800-1800-100

hbrcare@intoday.com

SMS 'HBRSA' to 52424

A-61, Sector-57, NOIDA-201301 (U.P.)

"Assuming normal weather and record production, wheat prices in Delhi can drop to ₹1,150 per quintal in 2012"

DHARMESH BHATIA, Associate Vice President, Research, Kotak Commodities

fall 20 per cent this year.

Domestic view: According to a SMC report, Malaysian crude palm oil production this year will be more or less flat at 186,000-189,000 tonnes as compared to the 2011 forecast of 188,000 tonnes.

16% Possible decline in soya oil prices in 2012, by World Bank estimates. But domestic market could be bright

Badruddin Khan, Assistant Vice President, Agriculture, Angel Commodities, says: "Palm oil is expected to trade lower this year on account of higher global production. The price can decline 16 per cent from the December 2011 level." In 2011, crude palm oil declined four per cent and was at ₹546 per 10 kg on December 30, 2011. Khan says it could touch ₹460 per 10 kg in 2012. Prices of crude palm oil remained firm in the early part of 2011 and touched a high of ₹584 per 10 kg on February 10, 2011. Thereafter, they declined 13.16 per cent and touched ₹507.10 on November 30, 2011. "Crude palm oil prices declined after February due to reports of better production in Indonesia and Malaysia," says Khan. Prices bounced back in November 2011 after floods in Malaysia.

Out of Sync

REFINED SOYA OIL

World Bank view: The price of refined soya oil will slide another 16 per cent from the level of December 30, 2011.

Domestic view: Kunal Shah, Head of Research, Nirmal Bang Commodities, believes the downside in refined soya oil is limited and the outlook for the domestic market is bright. "By the end of the ongoing calendar year, we expect prices to test the ₹740 per 10 kg level," he says. On February 1, the price was ₹689 per 10 kg. In 2011, the price of refined soya oil jumped 14.16 per cent to ₹723.20.

According to experts, this sharp movement in refined soya oil prices can be attributed to the weakening rupee and bad weather in Argentina. "Besides, a weakening rupee made imports expensive, with the result that prices jumped in the domestic market," says Shah. India is the world's top buyer of edible oil and imports half the vegetable oil it consumes. That is why prices of the commodity are heavily influenced by the movement of the rupee.

MAIZE

World Bank view: Global maize price will fall 12 per cent in 2012. The US Department of Agriculture, in its first assessment for 2011/12, has projected that global food supply conditions will improve and maize production is expected to rise 6.4 per cent over the last year.

12% likely fall in maize prices in 2012, says World Bank. Indian experts believe prices will rise instead

Domestic view: Experts do not agree and say maize prices could rise in 2012. They say the global output scenario is looking bleak with more crop damage in Argentina, the second-largest producer of maize. Also, cob-setting may reduce yields. Vimala Reddy, Research Analyst, Karvy Comtrade, says: "China is looking forward to refill its grain reserves, which could boost prices in India. Faster growth in poultry sectors in South-East Asian countries might also help."

Experts say rabi production of 2011/12 might be five million tonnes, which would reach the market by March-April. However, in 2012, demand may increase by 5 to 10 per cent, including for domestic consumption and export. Also, corn production in Argentina is estimated to fall 20-25 per cent this year, which will keep prices on the uptrend. "Global export demand might shift towards India to compensate for the supply shortfall in Argentina and Mexico. Depending on export demand, prices could touch a high of ₹1,400 per quintal," says Bhatia. On February 1, maize was trading at ₹1,300 per quintal in Delhi. In 2011, the price rose 12.82 per cent to ₹1,131 per quintal on the back of a healthy surge in exports. "Maize exports are likely to touch 40 lakh tonnes in 2011/12," says Reddy. Exports were 31 lakh tonnes in 2010/11, according to the US Department of Agriculture.◆

Courtesy: ***Money Today***

LAST BUT NOT LEAST

EXECUTIVE HEALTH 104 CAREERS 106 PEOPLEBUSINESS 108

Message in a Tablet

A few companies are aiming to change Indian education forever through tablet computers. Will they succeed?

By DEARTON THOMAS HECTOR

SHEKHAR GHOSH

Chances are that you have a toddler, or your next cubicle colleague has, or your next door neighbour does, who is already familiar with YouTube. Chances are even higher that her familiarity is bred by a tablet computer, one of those nice little touch screen miracles which have marred the growth of laptops.

The lesson from this – that tablets are easy to master and easier to learn on – has been imbibed, and is now being imparted through schools.

One of the first things Akhilesh Yadav did on becoming the Chief Minister of Uttar Pradesh was to announce a free tablet computer for every student who completed Class X. It was quite a turnaround for the Samajwadi Party, which only a couple of years ago had spoken against the use of computers. Not to be left behind, the Bharatiya Janata Party's Manohar Parrikar, Goa's new Chief Minister, announced that all Class V and VI students in the state would be given tablet computers. The Union government has been championing, and struggling with, the Aakash tablet, which Union Communications and Information Technology Minister Kapil Sibal says will "end the digital divide".

Suddenly, the tablet has become all the rage in education. By packing a student's entire curriculum within its hardware, or allowing her to access it from the cloud – remote servers – it threatens to make the schoolbag obsolete.

The UP government estimates that 2.5 million tablets will be needed for those passing Class X at the state's schools. On a national basis, the potential is far greater – there are 1.3 million schools in India, estimates consultancy firm Technopak Advisors. "Tablets will change the Indian education sector because of their reach and delivery," says Narayanan Ramaswamy of consultancy firm KPMG.

Many companies have woken up to the opportunity and evolved different business models to grab a slice of the pie. One model has seen tablet makers tie up with content providers. Boston-based AcrossWorld Education, a content provider, has tied up with Delhi-based Go-Tech to launch a tablet called ATab in India. The two companies have been trying to persuade schools to adopt the device, priced at ₹5,000.

AcrossWorld claims to have developed the world's first cloud-based platform for school education. The platform enables K-12 schools (kindergarten to 12th standard), colleges and universities around the world to access open source – free – educational resources. Stephan Thieringer, its President and CEO, has been criss-crossing the country to meet students, from Gajraula in UP to Rourkela in Orissa and Puducherry

"As our product is a combination of service and hardware, we are very confident that the consumers in India will adopt it"

STEPHAN THIERINGER, PRESIDENT & CEO, ACROSSWORLD EDUCATION

in the south. "As our product is a combination of service and hardware, we are very confident that the consumers in India will adopt it."

Educational Initiatives, a company that focuses on training of teachers and other educational services, has joined hands with AllGo Embedded Systems, a technology design company, to conduct pilot projects with tablet PCs in different parts of the country. In mid-January, a group of executives from the two companies descended on Parivallal School in Singampunari, a town in central Tamil Nadu known for its coir industry. They chose 60 students randomly from classes VI, VII and VIII and gave them a test on their tablets. After the initial surprise, excitement, and exploring, the students quickly got down to the test.

HCL Infosystems, a hardware giant, does not feel the need for a partner. "We are already into tablets and also into education, so it makes complete sense for us to get into this," says Anand Ekambaram, who heads the company's learning business. The company has launched two tablets, one for K-12 students and the other for higher education, both with bundled content. The K-12 version is priced at ₹11,499 while the higher education tablet sells for ₹9,999.

Educomp Solutions, a content provider for e-learning, is gearing up to launch content that is device agnostic and runs on any tablet. "This product will be the first of its kind in the world," claims Abhinav Dhar, Director, K-12, at Educomp. "Our solution will have the entire curriculum on the tablet, including textbooks, digital content, remedial and tutorial services," adds Shantanu Prakash, the Managing Director and CEO. The company is also planning to introduce its own branded tablets.

Career Launcher, an institute offering coaching and counselling services, has started pilot projects with tablets in its Indus World schools. "The students can take these tablets, do their homework, come back and have it uploaded directly to the server," says Satya Narayanan R., Founder and Chairman of Career Launcher.

Wishtel India, a Mumbai-based tablet maker, has launched two new educational tablets named IRA and IRA Thing, priced at ₹4,000 and ₹5,500, respectively, in partnership with VIA Technologies of Taiwan. These tablets support 23 regional Indian languages. "Our tablets will enable students to access virtual labs for physics, chemistry and so on. A student can also subscribe to our special packages, such as astronomy content, which may not be available in the school curriculum," says Milind Shah, CEO of Wishtel India.

Handset company Micromax Informatics jumped on the tablet bandwagon recently with its Funbook, priced at ₹6,499. The company claims that its tablet will provide students with both education and entertainment. It has joined hands with Pearson India and Chennai-based Everonn Education for content. There will be different kinds of content, from Class I to degree courses to preparatory material for medical, engineering and MBA entrance exams. "Our partners are hosting the content on the education platform and the parents and the children can choose which content to buy," says Deepak Mehrotra, CEO, Micromax.

But is India ready for this revolution? "Electricity is needed to charge these products," says Pankaj Mohindroo, who heads Indian Cellular Association, pointing to a common bottleneck in the country. The other hurdle is uneven Internet connectivity.

And then there is the issue of content. "I am not sure if interactive content at the higher secondary level is available. If it is just a PDF of a textbook on the device, that does not help," says Naveen Mishra, an analyst with CyberMedia Research. ◆

ADDITIONAL REPORTING BY SUNNY SEN

ADITYA KAPOOR

"Our solution will have the entire curriculum on the tablet, including textbooks"

SHANTANU PRAKASH,
MD & CEO, EDUCOMP

Send your comments to
editor.bt@intoday.com

Sultans of Social Networking

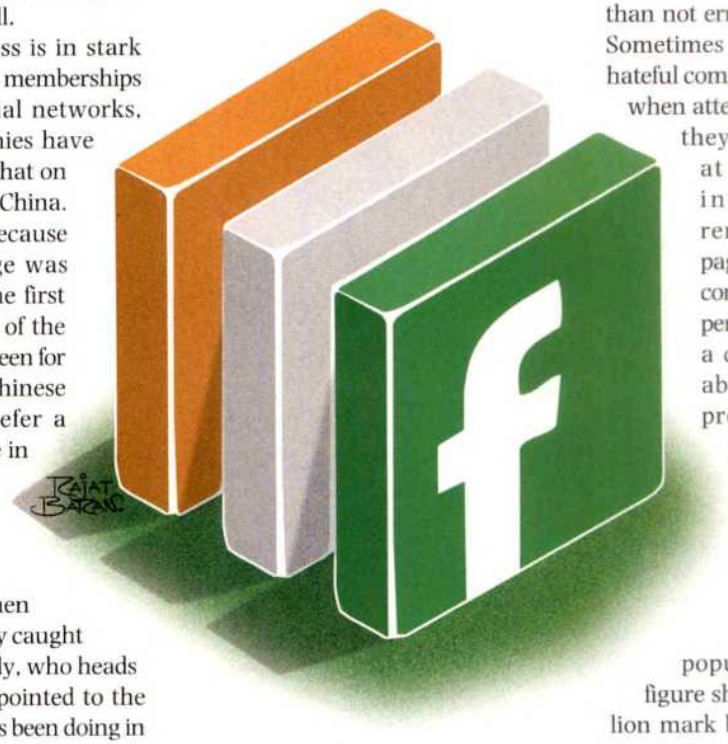
India has the second largest number of Facebook users in the world

With over 45 million users, India has the second largest number of people on Facebook in the world, according to *www.checkfacebook.com*, an independent provider of Facebook statistics. Only the United States has more. Given our low Internet penetration – the most optimistic estimate of India's Internet user base is around 150 million – it means one in three Net users in the country has signed up on Facebook as well.

Facebook's success is in stark contrast to the paltry memberships of India-specific social networks, which many companies have tried to set up, somewhat on the lines of Weibo in China. That could well be because the English language was never a hurdle for the first wave of Indian users of the Net, as it would have been for most Chinese. The Chinese would naturally prefer a social networking site in their own tongue.

Facebook today is no longer the preserve of India's English speakers. When *Business Today* recently caught up with Kirthiga Reddy, who heads Facebook India, she pointed to the work her company has been doing in making the service available in multiple Indian languages. Facebook can now be accessed in 10 regional languages, making the old argument that it is a 'elite' site, a facile one. Ironically, American web giants like Facebook and Google are the ones putting in great effort to make the Internet accessible in regional Indian languages.

At the recent launch of his latest volume of poems, Kapil Sibal, Minister for Communications and Information Technology, said that the foreign Internet companies' unwillingness to accommodate the Indian government's concerns about Internet content, on the grounds that their servers were located in the US, smacked of 'cultural imperialism'.



Given that the central and state governments have done little to support the use of regional languages on the Internet, the argument is specious.

It is true ours is a country where people take offence all too easily over what appears online. Mischievously photoshopped images can lead to riots. However, sites like Facebook are also useful in that they enable people to find others who share their outlook. I doubt the Anna Hazare-led anti-corruption movement would have garnered the support it did had its leaders not used Facebook and Twitter to spread their message.

This is why protecting these services and sites from the obvious desire of those in power to censor or control them is vital. Facebook has its own internal censors, who more often than not err on the side of caution. Sometimes offensive pictures and hateful comments do get posted, but when attention is drawn to them, they are usually removed at once. Recently, for instance, Facebook removed a community page because the Assamese community concerned happens to share its name with a common north Indian abusive epithet. But the protests that led to the page's removal highlight just how important Facebook is to the lives of all Indians, not just the well-off city-dwellers.

With India's online population growing – the figure should cross the 200 million mark by the end of this year, thanks to wider availability of high-speed wireless data services – the number of Facebook users should also touch 50 million in a few months and close to 60 to 70 million by the year-end. This will make India's Facebook population an extremely influential force. One that politicians would do well not to mess with. ◆

Advantage, Morning Persons

Wake early, work out daily, and eat a healthy breakfast to stay fit, says Dearton Thomas Hector

Racing driver Karun Chandhok cycles 80 km a day to prepare for the just-begun FIA World Endurance Championship. Every morning he wakes up at six, and after a breakfast that includes bananas and muesli, leaves his home in Kotturpuram, Chennai, by car, carrying his bicycle in the boot. At the toll gate on East Coast Road, he switches to the bicycle, cycling all the way to Mahabalipuram and back.

Executives need not emulate the fitness regimen of a top racing car driver, but some try. One such is Mumbai-based Priyanka Gupta, Executive Director, MPIL Steel Structures, who too wakes up early three days a week to cycle 50 km, from 5.30 to 7.30 a.m. "Given the traffic in Mumbai, I have to rise early if I want to cycle at all," she says.

Medical opinion has long maintained that waking up early and working out regularly contribute greatly to good health. Why so? "In the morning hours, there is very high secretion of certain substances called catecholamines, which increase the blood pressure and the likelihood of blood clotting," says Dr N.N. Khanna, Senior Interventional Cardiologist at Apollo Hospitals. "So, if executives are working out in the morning, it reduces their risk of cardiac arrest or a stroke." It also reduces stress. "People who work out in the morning are happy people, because morning workouts produce endorphins, which are stress busters," says Dr Sameer Srivastava, Associate Director of Non Invasive Cardiology at Fortis Escorts Heart Institute, Delhi. "They should also do breathing exercises in the mornings and stay relaxed."

Another key element in the morning routine that helps to maintain good health is having breakfast. Missing this meal because of the morning rush is simply not on. "There is no work-life balance for an entrepreneur, especially when one's company is in its early stages," says Vidya Nataraj, co-founder of Bluestone.com, an online jewellery store. "But I am very particular about having breakfast, which includes oats, milk and fruits." Nataraj also makes it a point to climb the 26 steps leading to her office on the first floor every day instead of taking the lift and usually works out in the evenings.

There is no denying, however, that many executives still get by without doing any of these. For some, morning compulsions leave them no time. Soni Khanna, marketing manager with an educational agency called Chopras, and a mother of two, says the children and household work take up her mornings. How does she beat stress? "It is difficult," she says. "Once I reach office, I forget I have a home. When I'm back at home, I forget I work in an office."

Prem Kumar, Managing Director of handset making company Fly Mobile India, prevents stress simply by staying relaxed. He rises at 6.45 a.m. daily and after "hopping into the kitchen to make an egg or a dosa", leaves for work at 8.15. "Work is a very personal part of my life. It is a seamless flow," he says. ◆

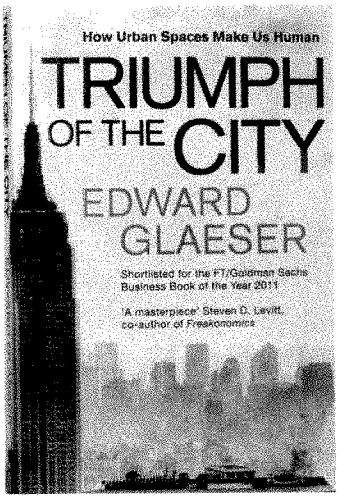
SANTOSH

Driving Progress

Edward Glaeser's book on cities has great relevance for India

The last decade marked an inflection point for India. Census 2011 showed that for the first time, the absolute increase in the population of urban areas exceeded that of rural areas. The numbers are mind-boggling. Of the country's 1.21 billion people, 371 million are urbanites. All of which makes Edward Glaeser's book on cities important for the Indian reader.

Glaeser, an economist who teaches at Harvard University, has condensed a key part of his research into a book that explores why cities have for long been the drivers of technological and economic progress. He supplements his work with that of others, particularly Jane Jacobs, an expert on urban planning, to suggest a template for urban development.



Triumph of the City
How Urban Spaces Make Us Human
By Edward Glaeser
Pan Books
Pages: 338 Price: ₹399

Some of Glaeser's suggestions come across as counter-intuitive. Unsurprising, as he brings an economist's training to bear on the subject. One of the points he makes relates to the anomalous situation where Mumbai's real estate is far more expensive than that of a much richer city like Singapore. The reluctance of town planners in India to allow cities to grow vertically has led to shortage and pushed up prices.

The world over, the city is a wellspring of prosperity, attracting a steady flow of migrants from rural areas seeking a better life. In India, nothing exemplifies this more than Mumbai, which attracts immigrants from all over the country. "Height is the best way to keep prices affordable," says Glaeser.

The book shows that every misguided town planning policy feeds into another and serves to undermine a city's potential. The reluctance to allow India's cities to grow vertically means commutes get longer as people are pushed farther and farther away in search of affordable housing. Given governments' poor record of delivering reliable public transport, an increasing number of people opt to buy a vehicle at the first chance they get. It is no longer uncommon for middle-class homes in India to have more than one vehicle when the household has two or more earning members.

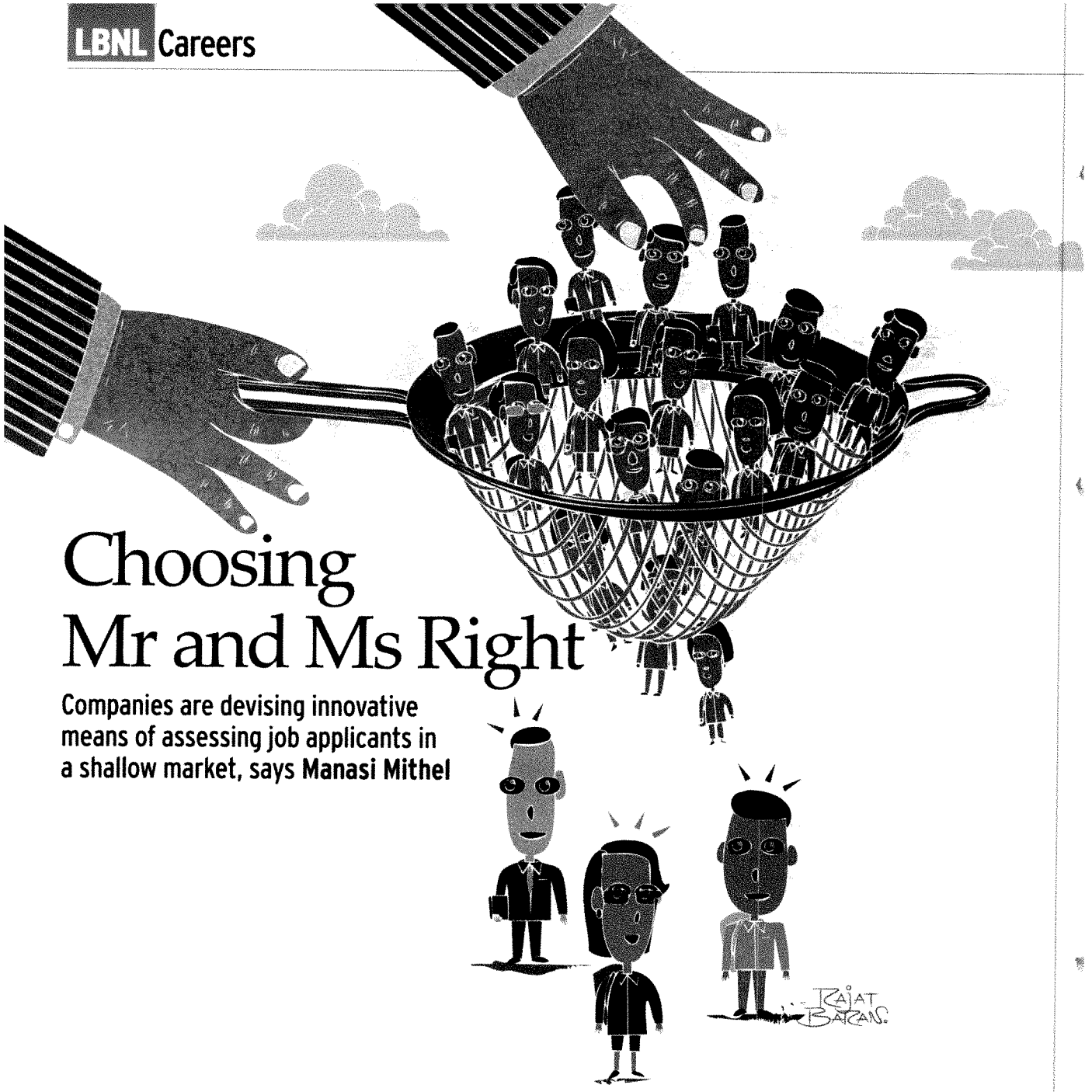
The book examines the evolution of urban policies in Singapore and London, some of which are relevant to India and can help decongest its roads. A fortunate development over the last few years has been the willingness of governments in India to invest in upgrading public transport. What is puzzling is the reluctance to supplement that with a congestion charge on private vehicles headed towards high density areas. Today, every litre of diesel used to run a private vehicle receives a subsidy of ₹14.36. Lessons from London and Singapore could have a positive spin-off on India's public finances, among other things.

Some of the book's most interesting portions are on the environmental impact of urban existence. Glaeser draws extensively on his research on American and Chinese cities to show that people living in high density urban concentrations have a lighter carbon footprint than those who have moved to the suburbs. The culprit is the heavy reliance on cars by commuting suburban dwellers. India is headed the same way given its woolly-headed urban policies.

Triumph of the City is an enlightening book underpinned by extensive research. Glaeser makes his points in a direct manner, making the book an easy read. For an Indian reader, the timing could not have been more appropriate. ◆

SANJIV SHANKARAN

The reluctance to allow India's cities to grow vertically means commutes get longer as people are pushed farther and farther away in search of affordable housing



Choosing Mr and Ms Right

Companies are devising innovative means of assessing job applicants in a shallow market, says Manasi Mithel

Quantity does not always ensure quality. India's demographic dividend is all very well, but how many of the engineering and business school graduates who emerge every year are employable? A number of surveys and reports highlight the same, sorry truth: not many.

"Only 15 per cent of university graduates of general education and 25 to 30 per cent of graduates of technical education are fit for employment," says a recent report on employment based on deliberations at the Federation of Indian Chambers of Commerce and Industry. A survey by Aspiring Minds, an employability assessment company, restricted to the IT sector, says only 2.68 per cent of the 500,000 fresh engineers produced annually would find place in IT product companies, while the figure rises to 17.45 per cent in IT services (see *Poor Quality*, page 107). *The Labour Report 2012* by HR firm TeamLease notes that ever since liberalisation began in 1991, private employers have been lowering their standards to ensure vacancies are filled. They have also been holding repeated training or 'repair' programmes to render fresh recruits capable of performing the tasks they were hired for.

Corporate houses, especially those which hire in bulk, remain anxious to sift the grain from the chaff from among the plethora of jobseekers. "There is a lot of effort that goes into training our recruiters so that we get the right kind of

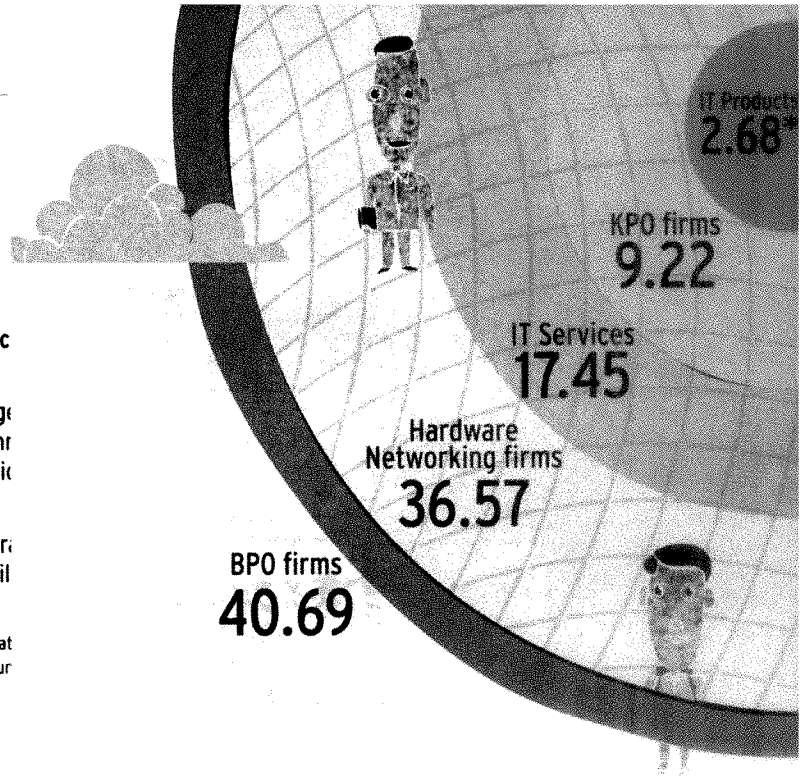
Poor Quality

Reasons for which engineering graduates are rejec by the IT sector:

IT SERVICES: 54 per cent of those turned down judg incapable of acquiring soft skills in a short period thr training, remaining 46 per cent rated incapable of pi up required technical skills

IT PRODUCTS: 92 per cent lacked the required progr and algorithm skills, 56 per cent also lacked soft skil cognitive skills

*Figures are percentages of the total number of engineering graduat different sectors find worth hiring Source: Aspiring Minds sur



talent for our company," says R. Ramkumar, Senior Vice President, Corporate Research and Communications, Cognizant. Around 250 to 300 Cognizant executives along with 50 to 60 people from its HR division fan out across 75 to 100 engineering colleges and B-schools. Last year, Cognizant added over 20,000 fresh engineering and B-school graduates to its workforce.

New and sophisticated assessment tools are also being devised. Aspiring Minds, for instance, in collaboration with the Gyan Ganga Institute of Technology and Management, has set up an employment exchange in Bhopal – the first of its kind – that examines those who enrol with it using an array of computerised assessment technologies, biometric kiosks and video monitoring, to pinpoint where exactly their skills lie. The firm intends to set up 30 such exchanges across the country to assess 300,000 people a year.

Another assessment company, MeritTrac Services, has designed online simulation tests which review a candidate's language skills, personality traits, and aptitude for different tasks, apart from domain knowledge. "It is important for companies to use hiring tools which test a candidate's skill performance in specific areas," says Murlidhar S., co-founder and CEO of MeritTrac. One such test, for instance, requires the candidate to simulate the organising of a college fest online in 40 minutes flat, taking care of all aspects of the task: the pricing of tickets, the inviting of celebrity guests, the handling of crowds and so forth. "If you price your entry tickets too high you won't draw crowds. But tickets can't be priced too low or you won't be able to budget for the very large crowds your fest will draw," says Rajeev Menon, General Manager, New Product Development, MeritTrac, who designed the test.

> "It is important for companies to use hiring tools which test a candidate's skill performance in specific areas"
>
> **Murlidhar S., CEO, MeritTrac**

Assessment tools provide a useful filter even if their use requires companies to cast their nets much wider than before. "Earlier we were reaching out to around 100 colleges for our fresh recruits," says Nitin Bhat, Vice President and Global Hiring Leader at Genpact. "Today, we go to about 400 colleges."

It is also important for companies hiring in bulk to pay special attention to testing different skill sets. An IT company setting only a Java test, for instance – Java is a computer programming language – to gauge the programming skills of engineering graduates could miss out on some good programmers who know only C++, another computer programming language. "This typically happens in sectors like IT services where supply of people is high and companies have the luxury to reject a lot of people," says Himanshu Aggarwal, founder and CEO of Aspiring Minds.

Proper assessment tools enable companies to avoid such 'false rejects', as Aggarwal puts it. These tools are even more important for companies in sectors such as insurance and financial services, where the number of applicants is much lower than in IT, and which, therefore, do not have the luxury of rejecting too many. ◆

Collateral Damage

Ravi Rishi
Chairman, Vectra Group

ADITYA KAPOOR/www.indiatodayimages.com

In the sniper war between General V.K. Singh, the Chief of Army Staff, and Union Defence Minister A.K. Antony, the main casualty has been **RAVI RISHI**, Chairman of the London-based Vectra Group. A 1977 batch alumnus of IIT Delhi, Rishi, like steel tycoon Lakshmi Mittal, made his fortune on the back of the collapse of Communism in eastern Europe.

It began with Gen Singh making the startling revelation that he was offered a ₹14 crore bribe to clear a purchase order of 600 trucks. While the truckmaker's name has not been officially disclosed, media speculation suggests it was Tatra, a Czech vehicle manufacturer.

Rishi, now a British citizen, started Vectra in 1986 after he moved to London, but the company really came into its own around 1992, when it snapped up several factories in the erstwhile Czechoslovakia, including Tatra. Rishi did not buy a majority share in Tatra, but created a joint venture called Tatra Vectra Motors Ltd, which thereafter entered into a joint venture with Bharat Earth Movers Ltd, now simply called BEML, a Defence Public Sector Unit (DPSU), to make heavy vehicles for the Indian armed forces.

In 2006, Vectra, which already controlled Tanax, the Slovakian arm of Tatra, was part of a consortium called Blue River which bought a 92 per cent stake in Tatra. At the same time, Rishi increased his operations in India significantly on the back of several large orders from the government. In 2009, he formed a joint venture with Russian military truckmaker Kamaz.

Rishi also created Global Vectra Helicorp Ltd to service and operate helicopters in India, even winning a license to operate the helicopter service at the Vaishno Devi shrine and during the Amarnath Yatra. With over 50 helicopters, Rishi is the largest such operator in India, with politicians frequently using his choppers during election campaigns.

However, back in 2007, Global Vectra Helicorp was in the news for the wrong reasons. As a representative of Eurocopter, the France-based global helicopter manufacturing and support company – through another joint venture called Indocopter – it successfully won a $600 million Indian Army deal for light helicopters. But the deal was later cancelled when, following a complaint by Bell Helicopter of the United States, a probe found that the rules had been bent by the Indian Army to secure it. Rishi, therefore, is no stranger to controversy.

Still, as Rishi has pointed out in several interviews, Tatra trucks are used by armies of other countries as well and the prices they paid for them were not very different from those paid by India. Indeed, Rishi claims India paid less than the armies of the Czech Republic, United Arab Emirates and Israel. Subtle hints have been dropped that the allegations are being made at the behest of 'interested' third parties – in this case Indian heavy vehicle manufacturers who have recently developed the capacity to manufacture 8x8, 10x10 and 12x12 trucks and claim they can supply these a lot cheaper than Tatra. Rishi even called Gen Singh 'menopausal' for making the allegations.

But with Rishi under a cloud and constantly being questioned by the CBI, the situation in the near future is likely to get tougher for him. A telling pointer was that after the allegations surfaced, few army officers dared to venture near the Vectra stand at the recent Defexpo India 2012 in New Delhi.

KUSHAN MITRA

S.D. Duggal
CEO, Nivio

Shining Early

SACHIN DEV DUGGAL joined Deutsche Bank as a serial innovator at the ripe age of 17. Now, at 29, he is the CEO of Nivio, a global cloud computing venture he founded in 2004. "I dreamt of a desktop that could be anywhere and nowhere," he says. In early February this year, Nivio, which won the World Economic Forum's Technology Pioneer Award in 2009, raised funding of ₹104 crore from the Videocon Group and US-based private equity firm AEC Partners. Nivio currently has 100-odd employees, though Duggal hates to call them such. "They are innovators," he says.

TASLIMA KHAN

Tarun Khanna
Professor, Harvard Business School

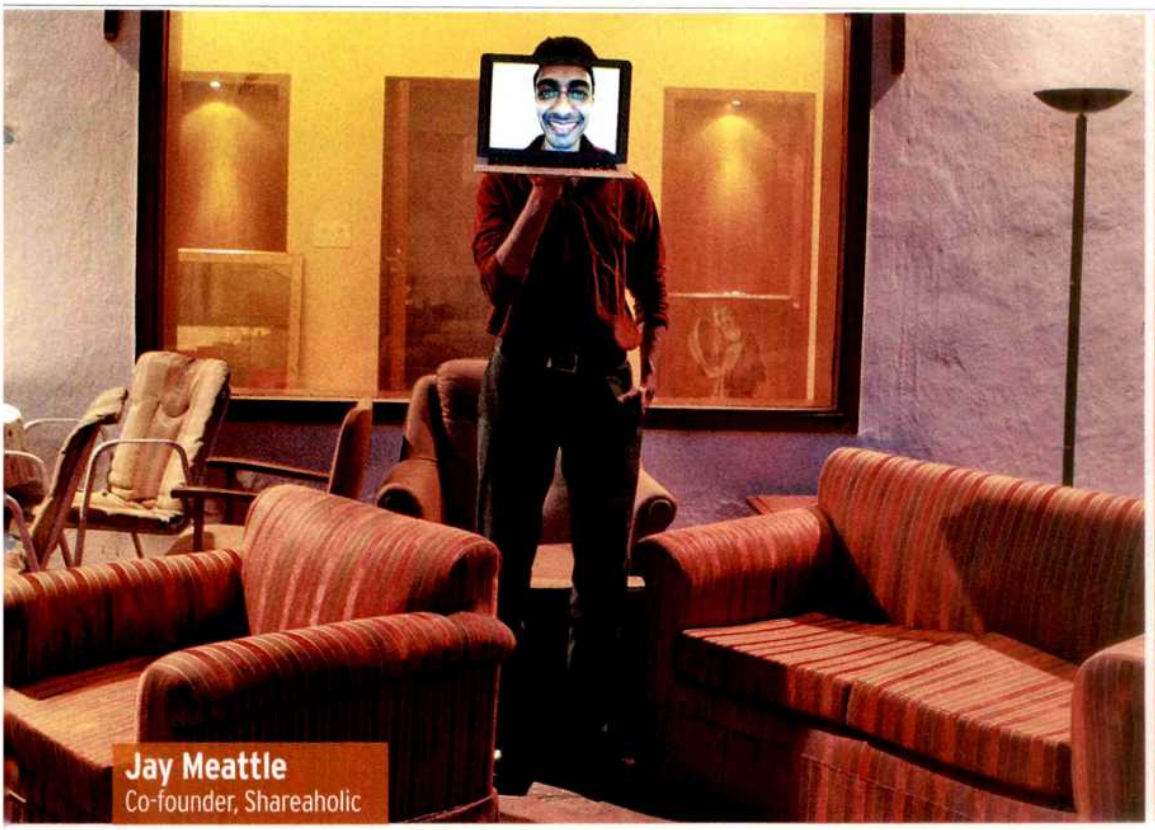
Helping Harvard Put Down Roots

Harvard Business School (HBS) has been conducting its executive education courses in India for about five years. But now, its new amphitheatre-style classroom, the first of its kind in the country, at the Taj Lands End hotel in Mumbai, will become a base for not just HBS's but also Harvard University's activities in the subcontinent. "I see it as a constructive escalation of our commitment here," says **TARUN KHANNA**, Jorge Paulo Lemann Professor at HBS and Director of Harvard's South Asia Initiative. With a seating capacity of 82, the classroom will offer state-of-the-art multimedia facilities. Khanna adds that a third of those attending will be from overseas. This year, the two-week open enrolment programmes will go beyond business and tap into the university's vast resources to tackle subjects such as public health and policy making. Besides executive education courses, the classroom will also host conferences that will bring together the government, industry and academia.

G. SEETHARAMAN

RACHIT GOSWAMI

Nitin Joshi
IIT Bombay student



Jay Meattle
Co-founder, Shareaholic

V.O. Vinayagam
Chief Technologist, Hexolabs Interactive Technologies

Anirudh Sharma
Co-founder, Ducere Technologies

Young Minds, Fresh Thoughts

Massachusetts Institute of Technology's recent listing of top innovators under 35 in its *Technology Review*'s India TR35 reveals some interesting achievements by young Indians. **NITIN JOSHI**, a student at IIT Bombay, has developed dual compartment nanostructures that enable lung cancer patients to inhale drugs, unlike in conventional chemotherapy where the drugs are administered intravenously. The nanostructures, which can contain two anti-cancer drugs at a time, are put in an inhaler that delivers the drugs deep into the lungs. "The problem with the intravenous method is that it targets other healthy organs too. Our treatment focuses only on the tumour," says Joshi.

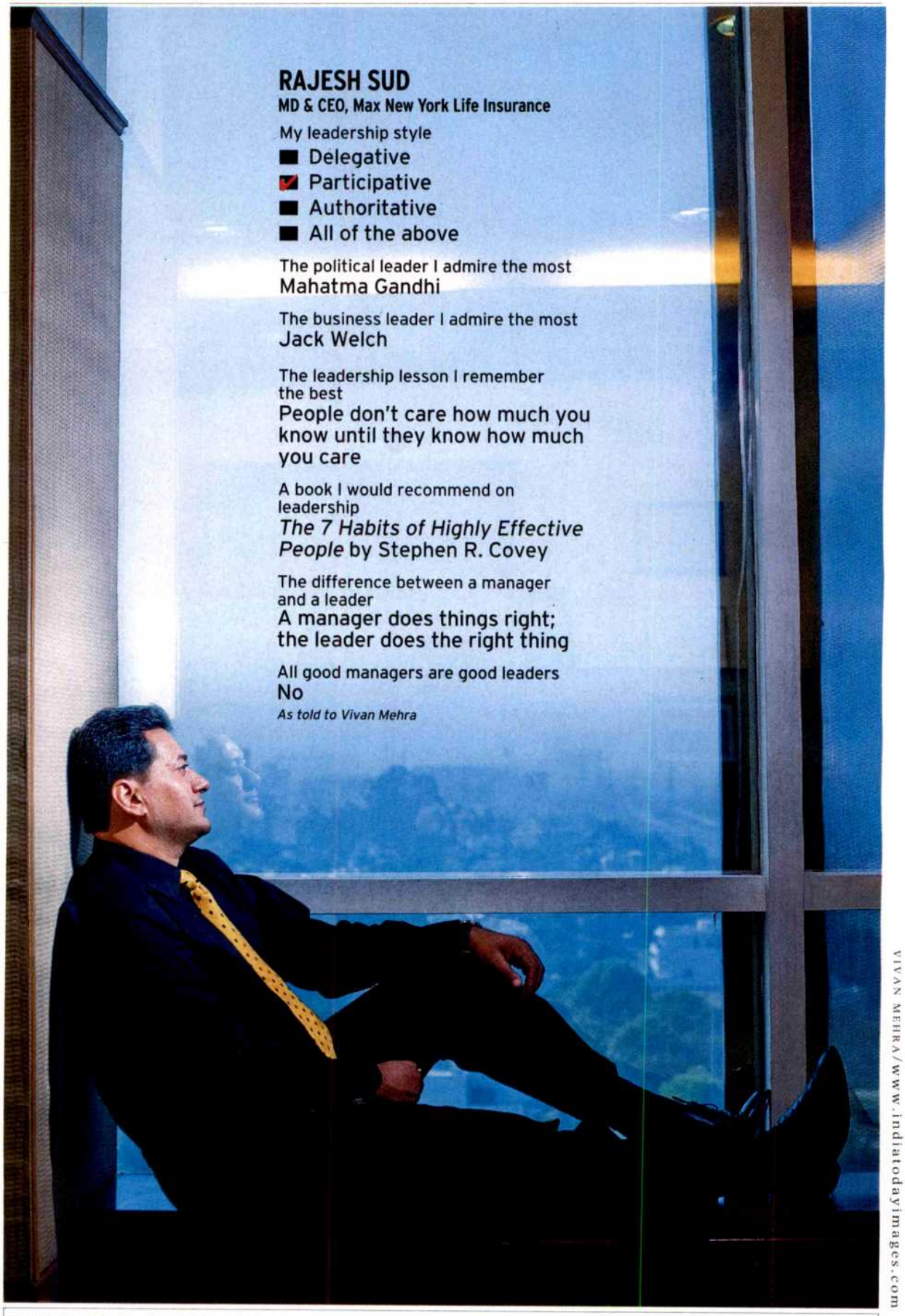
While online, people share a host of things and that is what enables **JAY MEATTLE** make money. His company, Shareaholic, gathers information on web users and employs it for better targeting of online ads. Started in 2009, Shareaholic has a database of over 270 million Internet users listing their interests, location, how influential they are, etc. "We have around 200,000 websites on our network from where we capture data on users' habits," says Meattle.

V.O. VINAYAGAM, Chief Technologist at Hexolabs Interactive Technologies, has come up with 'Mobile Antakshari', a value-added service for mobile users to play the musical game. The users can test their skill at the game against artificial intelligence or their friends. The service uses complex algorithms to match users input with over 6,000 songs in four languages: Hindi, Tamil, Telugu and Malayalam. It is currently available for Idea subscribers only.

ANIRUDH SHARMA, co-founder of Ducere Technologies, has designed a 'haptic' shoe that helps the visually impaired reach their destination. The navigation aid, called 'Le Chal', works on the principle of touch where the users let an Android-based mobile app, which is powered by an online map service, know their destination. The app provides some options and once the user confirms the destination, the information gets transmitted, through Bluetooth, to the vibration motors embedded in the shoes. The motors give a vibrating indication at the front, back, left and right side of the feet, directing the wearer in the desired direction. ◆

MANU KAUSHIK

PARK AVENUE



RAJESH SUD

MD & CEO, Max New York Life Insurance

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
Jack Welch

The leadership lesson I remember the best
People don't care how much you know until they know how much you care

A book I would recommend on leadership
The 7 Habits of Highly Effective People by Stephen R. Covey

The difference between a manager and a leader
A manager does things right; the leader does the right thing

All good managers are good leaders
No

As told to Vivan Mehra

VIVAN MEHRA/www.indiatodayimages.com

Vol. 21, No. 9, for the fortnight April 16-29, 2012. Released on April 16, 2012.

PACER
CK
42614
THEY SAY
HE NEVER PLAYED SAIF.
SEAGRAM'S
ROYAL

lenovo FOR THOSE WHO DO

SUB-ZERO TEMPERATURES.
ANALYSING GLACIAL MOVEMENTS.
NO TIME FOR COLD FEET.

THE LENOVO® THINKPAD® IS BUILT TO TAKE ON ANY CHALLENGE.
REASON WHY THE CENTRE FOR SEVERE WEATHER RESEARCH (U.S.)
RELIES ON IT FOR ITS CRITICAL MISSIONS.

- Passes 8 military-grade tests
- Built-in innovations like Active Protection System™ and spill-resistant keyboard
- Boots up in under 10 seconds with RapidBoot Technology
- Powered by 2nd gen Intel® processors

lenovo ThinkPad No.1 NOTEBOOK FOR LARGE ENTERPRISES*

WWW.LENOVO.COM
corpsales@lenovo.com

Work anywhere easier.
Windows 7

This image is a creative representation and not an actual shot.

*IDC's Worldwide Quarterly PC Tracker Q4 2011, for shipments in the Q2-Q4 2011 to businesses of 500 employees or more. © Lenovo 2012. All rights reserved. Lenovo, the Lenovo logo, For Those Who Do and ThinkPad are trademarks or registered trademarks of Lenovo. Microsoft and Windows are registered trademarks of Microsoft Corporation. Intel, the Intel logo, Intel Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Lenovo reserves the right to alter product offerings and specifications at

business today
managing
May 13, 2012 ₹30

MISTRY BOYS: TATA LEAVES A CLEAN SLATE 36

GOING FOR GOLD

ORPORATE INITIATIVES DRIVE INDIA'S QUEST FOR OLYMPIC MEDALS

ian boxing hopefuls for the London Olympics: ockwise from top left) Jai Bhagwan, Manoj Kumar, Devendro Singh, Sumit Sangwan and Shiva Thapa

THE INDIA TODAY

HP recommends Windows® 7.

Introducing the HP Folio[13]. The Ultrabook™ built for business.

Incredibly thin. Super light. With zero sacrifice on battery life. The HP Folio[13] gives you up to 9.5 hours[1], so you can power through your workday without recharging.
Now create movies like magic with Windows® Live Movie Maker.

Weighs under 1.5kg[2], 18mm super thin | Genuine Windows® 7 Professional | WLAN, USB 3.0, HDMI, Gigabit Ethernet | 4GB DDR3 Memory, 128 SSD | 13.3" HD BrightView LED | Dolby Advanced Audio

To know more SMS **'Folio'** to **56070**

Mail us at **in.contact@hp.com**

Call (toll free) **1800 425 4999** (from MTNL/BSNL lines within India) or **3030 4499** (prefix your city code when calling from mobile)

For more information visit: **www.hp.com/in/folio13**

Work like a Pro.
Windows 7 Professional

Care Pack

Protect your product with support coverage that fits your needs.

tsia EXCELLENCE IN SERVICE OPERATIONS 2010
HP ASIA PACIFIC & JAPAN PERSONAL COMPUTERS AND PRINTERS

1. Battery life will vary depending on product model, configuration, loaded apps, features, use, wireless functionality, power management settings. Maximum capacity of battery will naturally decrease with time, usage. Additional details: MobileMark07 battery benchmark www.bapco.com/products/mobilemark 2007. 2. Weight will vary by configuration. Not all features are available in all editions of Windows 7. Microsoft, Windows and Windows Vista are trademarks of the Microsoft group of companies. This system may require upgraded and/or separately purchased hardware and/or a DVD drive to install the Windows 7 software and take full advantage of Windows 7 functionality. See http://www.microsoft.com/windows/windows7/ for details. © 2012 Hewlett-Packard Development Company, L.P. All rights reserved.

MYRA
SCHOOL OF BUSINESS

LEADERS
ARE NOT BORN.

They are nurtured.

At the MYRA School of Business, we understand the makings of a leader. That is why our faculty comprises leading academics from some of the most reputed B-Schools across the world. Their consultancy experience, academic expertise, and research-based teaching translate into powerful classroom sessions that take management education to a whole new level of learning to mentor the leaders of tomorrow.

Take Charge of your Future.
Act Now.

Admissions Now Open
PGDM* 2012 – 2014

*An AICTE Approved Programme.

Distinguished faculty from:
Arizona State University, USA | Wharton School, USA
University of Warwick, UK | Rice University, USA
Yale University, USA | Michigan State University, USA
Kellogg School, USA | University of Pittsburgh, USA
London School of Economics, UK

Led by:
Dean Rajiv Sinha
Lonnie Ostrom Chair in Business
W.P. Carey School of Business
Arizona State University, USA

MYRA School of Business
Near Infosys, Mysore, India
+91 99015 83333
www.myra.ac.in

CROSSPOLLEN 13042012

CALCUTTA UNIVERSITY CENTRAL LIBRARY

From the Editor

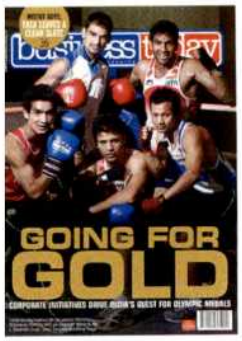
Seven and a half minutes into the movie *Paan Singh Tomar* a journalist asks the eponymous hero, played by Irrfan Khan, why he became a dacoit. "In the ravines (of Chambal) you will find rebels. The dacoits are in Parliament," the actor growls.

It is probably coincidental that the movie was made the same year as the London Olympics. Tomar, a Subedar in the Indian Army and a seven-time national steeplechase champion, became an outlaw when he returned home after retiring to find that a relative had grabbed his land and he would not get justice at the hands of a corrupt administration.

Most poignant were the credits at the movie's end; they listed a few unsung heroes of Indian sports:

- Shankar Laxman, four-time Olympic gold medallist, who died from lack of medical attention
- K.D. Jadhav, 1952 Olympics bronze medallist, who died penniless
- Sarwan Singh, 1954 Asian Games gold medallist hurdler, who was forced to sell his gold medal
- Parduman Singh, 1954 Asian Games shot-put and discus gold medallist, who died penniless.

For more than six decades, Indians have watched the Communist medal factories of countries like East Germany, the Soviet Union, and now China – and also the power of 'sports capitalism' in the United States, Britain and Australia – and asked themselves why a nation as large and diverse as ours produces so few champions. Much of the blame lies with the politicization of sports; when was the last time you heard of a real sportsman (or, perish the thought, sportswoman) heading a national sporting body?



With the London Games just three months away, *Business Today* decided to measure up to the Olympian credo of 'Citius, Altius, Fortius' (faster, higher, stronger) and pull together the cover package starting on page 48. Our intrepid reporters travelled to Patiala, Bangalore, Imphal – and London, too – to bring you the inspiring story of how private initiatives are taking firm root, finally, in nurturing our most promising young boxers, shooters, shuttlers, runners, jumpers and throwers. These efforts complement what the government is doing. There, dare I say it, is a brightening glimmer of professionalism.

At *BT* we publish 26 times a year, and many times a day on our website, where traffic has been soaring. I'm sure you will agree that this issue of the magazine is replete with very good content.

We were certainly not content with economic news. You will find very incisive stories on the Reserve Bank of India's blow-hot blow-cold rate cut (page 24) and the looming crisis in foreign currency convertible bonds (page 42). And if you believe that there are 'lies, damned lies and statistics' then you will hang your head in shame at the clumsy mistakes in official data (page 14).

Many customers are impressed with Flipkart's service. They deliver at your door, accept cash on delivery, replace damaged goods without demur, and follow up complaints with alacrity. But they are not profitable. Neither was Jeff Bezos's Amazon, for a long time. We look at India's online retailers and their slow road to riches on page 66, and also at the guts and gumption of e-grocers on page 70. The Internet has certainly changed our lives, but it is also dotted with sinister shadows. Just as with so much else in our 21st-century vocabulary, you will read on page 62 what it means to worm your way into someone's confidence, and discover that a Trojan Horse is anything but mythology. This story on cyber insecurity will send a chill up your virtual spine.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

business today

http://www.businesstoday.in

Editor-in-Chief: Aroon Purie
Chief Executive Officer: Ashish Bagga

Editor: Chaitanya Kalbag
Managing Editor: Josey Puliyenthuruthel
Executive Editor: Suveen K. Sinha
Deputy Editors: Debashish Mukerji, K. Sai Srinivas
Special Projects Editor: Alokesh Bhattacharyya
Assistant Editor (Web): Anika Gupta

CORRESPONDENTS
Senior Editors: Anand Adhikari, Suman Layak, N. Madhavan, Shamni Pande, Sanjiv Shankaran
Associate Editors: K.R. Balasubramanyam, Kushan Mitra, Shweta Punj, E. Kumar Sharma, Anusha Subramanian, Goutam Das
Assistant Editor: Rajiv Bhuva
Special Correspondents: Anumeha Chaturvedi, G. Seetharaman, Manu Kaushik, Taslima Khan, Anilesh Mahajan, Sunny Sen, Geetanjali Shukla
Trainee Reporters: Anand J., Manasi Mithel, Dearton Thomas Hector

COPY DESK
Senior Editor: Uma Asher
Associate Editor: Allan Lasrado
Chief Copy Editor: Gadadhar Padhy
Copy Editors: Basudha Das, Roopali Joshi

PHOTO DEPARTMENT
Photo Editor: Vivan Mehra
Deputy Chief Photographers: Shekhar Ghosh, Deepak G. Pawar
Senior Photographer: Aditya Kapoor
Principal Photographer: Rachit Goswami
Photographer: Nishikant Gamre
Photo Researcher: Palak Neb

ART DEPARTMENT
Art Director: Kapil Kashyap
Deputy Art Director: Rajat Baran Chakravartty
Assistant Art Directors: Anita Jaisinghani, Anand Sinha
Senior Visualisers: Vikas Gupta, Santosh Kushwaha, N. Ravishankar Reddy

PRODUCTION DEPARTMENT
Chief of Production: Dinesh Sachdeva
Production Coordinators: Narendra Singh, Rajesh Verma
Senior Supervisor: Rajkumar Wahi
Senior DTP Designer: Mohammed Shahid

RESEARCH DEPARTMENT
Senior Research Analyst: Gautam Aggarwal
Librarian: Vijaylakshmi Vardan
Assistant Librarian: Satbir Singh

Group Business Head: Manoj Sharma
Associate Publisher (Impact): Anil Fernandes

IMPACT TEAM
Senior General Managers: Sonal Pandey (West & South), Sunil R. (Bangalore), Kaustav Chatterjee (East), V. Somasundaram (Chennai), Jitendra Lad (West)
General Manager: Nilesh Kadam (North)

Marketing: Vipul Hoon, General Manager

Head-Consumer Marketing Services: Poonam Sangha, Senior General Manager

News-stand Sales: D.V.S. Rama Rao, Chief General Manager; Vinod Das, Senior General Manager (National); V.A. Chotalia, Regional Manager (East); Rajesh Menon, General Manager (West); Deepak Bhatt, General Manager (South); Rakesh Sharma, General Manager (Operations)

THE INDIA TODAY GROUP

Vol. 21, No. 10, for the fortnight April 30-May 13, 2012. Released on April 30, 2012.

● Editorial Office (Delhi) 5th Floor, Videocon Tower, E-1, Jhandewalan Extn., Delhi-110055. Tel.: 011-23684812-15; Fax: 011-23684819; E-mail: btoday@giasdl01.vsnl.net.in ● Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel.: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel.: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel.: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel.: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel.: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel.: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel.: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016, Tel.: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no 1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com

● Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-4019500; Fax: 0120-4019664 © 1998 Living Media India Ltd. All rights reserved througout the world. Reproduction in any manner is prohibited. Published & Printed by Ashish Bagga on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana) and at Plot No. 5-5/4, TTC Industrial Area, Thane Belapur Road, Airoli, Navi Mumbai-400 708 (Maharashtra). Published at K-9, Connaught Circus, New Delhi-110 001.

● Business Today does not take responsibility for returning unsolicited publication material.

All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only

SYNDICATIONS TODAY

For **reprint rights and syndication** enquiries, contact syndications@intoday.com or call +91-120-4078000

www.syndicationstoday.in

India's No.1 TRUSTED BRAND
Power of Trust
Brand Trust Report 2012

India's No.1
AIR CONDITIONER

LG
Life's Good

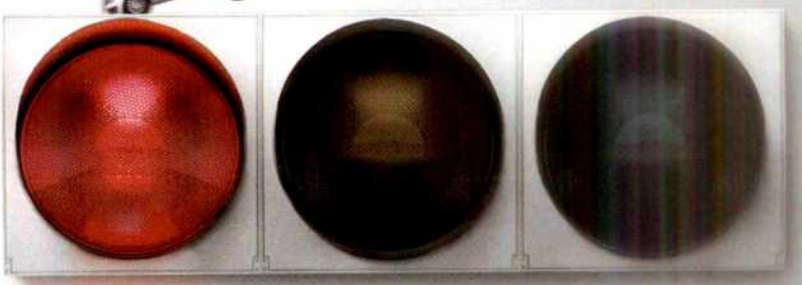
LG AIR CONDITIONERS WITH INVERTER V TECHNOLOGY, COOLS 1.7 TIMES* FASTER, YET SAVES UPTO 66%* ENERGY

Cars consume more fuel when on a constant braking and acceleration.
The same applies to Air Conditioners that go on and off repeatedly.
The new LG Air Conditioners with Inverter V Technology,
its smart compressor adjusts its speed to suit your cooling requirement.
So it gives you 1.7 times faster cooling and saves upto 66% more energy.
Keep cool while saving energy.

INVERTER V

www.lg.com/in

More energy is used due to regular braking & accelerating



Inverter V AC saves more energy due to efficient running of compressor

BSQ12

Why LG Inverter AC is better?*

Model No.	Tonnage Range	Best Cooling	Lowest Input	Highest Air Flow	Lowest Indoor Noise
		(EER/COP)	(Watts)	(upto Ft)	(dB)
BSQ12	0.2~1.2	3.43	990	20	19
BSQ18	0.3~1.7	3.34	1560	20	29
BSQ24	0.3~2.0	3.38	1780	20	31

LG 24 x 7 CALL CENTER
CALL 1800-180-9999 (Toll Free) SMS 5757554 (Send SMS) CLICK www.lg.com serviceindia@lge.com www.facebook.com/lifesgoodpage www.twitter.com/LGIndiaTweets
To know more about LG, visit www.lg.com For Corporate/ Institutional enquiries, please write to enquiries@lgindia.com

Regd. Office: LG Electronics India Pvt. Ltd., A-27, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi-110044.

*India's Most Trusted Consumer Durable Brand as per 'Brand Trust Report 2012'. The symbol mark is owned by Trust Research Advisory. The words are derived from 'Brand Trust Report 2012', interpreted accordingly and are not meant for any claims. †India's No. 1 Air Conditioner Brand as per GFK Nielson India Retail Store Audit Report, Jan'11-Dec'11 Urban India report (Total Panel Market). Images shown above are for representation only. *Data shown above is based on tests conducted by LG in-house under test conditions. Data shown above is comparison with non-inverter model.

businesstoday.in

business today

What's Online

THE BUSINESS OF SPORTS

Prakash Padukone, Co-founder of Olympic Gold Quest, talks to *BT* about how many medals he hopes the team will bring home from London. Watch video online.
▸ businesstoday.in/padukone

Our photographers spent hours capturing the gruelling training rituals of India's brightest Olympic hopefuls. See photos online. ▸
businesstoday.in/olympics-training

Business Today's **N. Madhavan** went to London to check out the city's Olympics preparations. Read his Reporter's Diary from the trip along with his story at ▸
businesstoday.in/london-games

PODCAST

BT's **Alokesh Bhattacharyya** on why we changed our methodology for picking India's top CFOs.
businesstoday.in/cfo-podcast

IN VIDEO

FM **Pranab Mukherjee**, *India Today* Editor-in-Chief **Aroon Purie**, and *BT* Editor **Chaitanya Kalbag** speak about the importance of CFOs, at *Business Today*'s annual Best CFO Awards ceremony.
businesstoday.in/cfo12-video

PERSPECTIVES

RBI Rate Cut

Anand Adhikari on how deteriorating asset quality at banks might have been one of the reasons for the recent rate cut; and **Rajiv Bhuva** on several reasons why the recent rate cut is not the beginning of a long-term trend. ▸
businesstoday.in/rate-cut-banks
businesstoday.in/rate-cut-growth

Narrowing the Gap

Cognizant is growing faster than Infosys and seems ready to become India's second-biggest IT exporter very soon, says **Goutam Das**. ▸
businesstoday.in/cog-infy

New Way of Thinking

Infosys's CEO-hopeful looks to revamp the company's strategy, says **Goutam Das**. ▸
businesstoday.in/infy-strategy

Essel's Deep Pockets

The Essel Group has steadily gained stake in infra group IVRCL, leaving the company's fate in the hands of foreign institutional investors, says **E. Kumar Sharma**. ▸
businesstoday.in/ivrcl

BLOGS

Taslima Khan
Startup Today

Startup Weekend delves into education. Also are e-retailers reconsidering expensive customer acquisition tactics.
businesstoday.in/startuptoday

Geetanjali Shukla
Plane Sense

The government announces measures to revive the sagging national carrier, Air India.
businesstoday.in/geetanjali

Uma Asher
Word Mentality

The signs in Pune's bazaars and bylanes are full of grumpy humour.
businesstoday.in/uma

business today

SMART READER CONTEST

Answer this simple question by May 18 and get a chance to win a Reebok bag.

Reebok Backpack worth ₹ 799

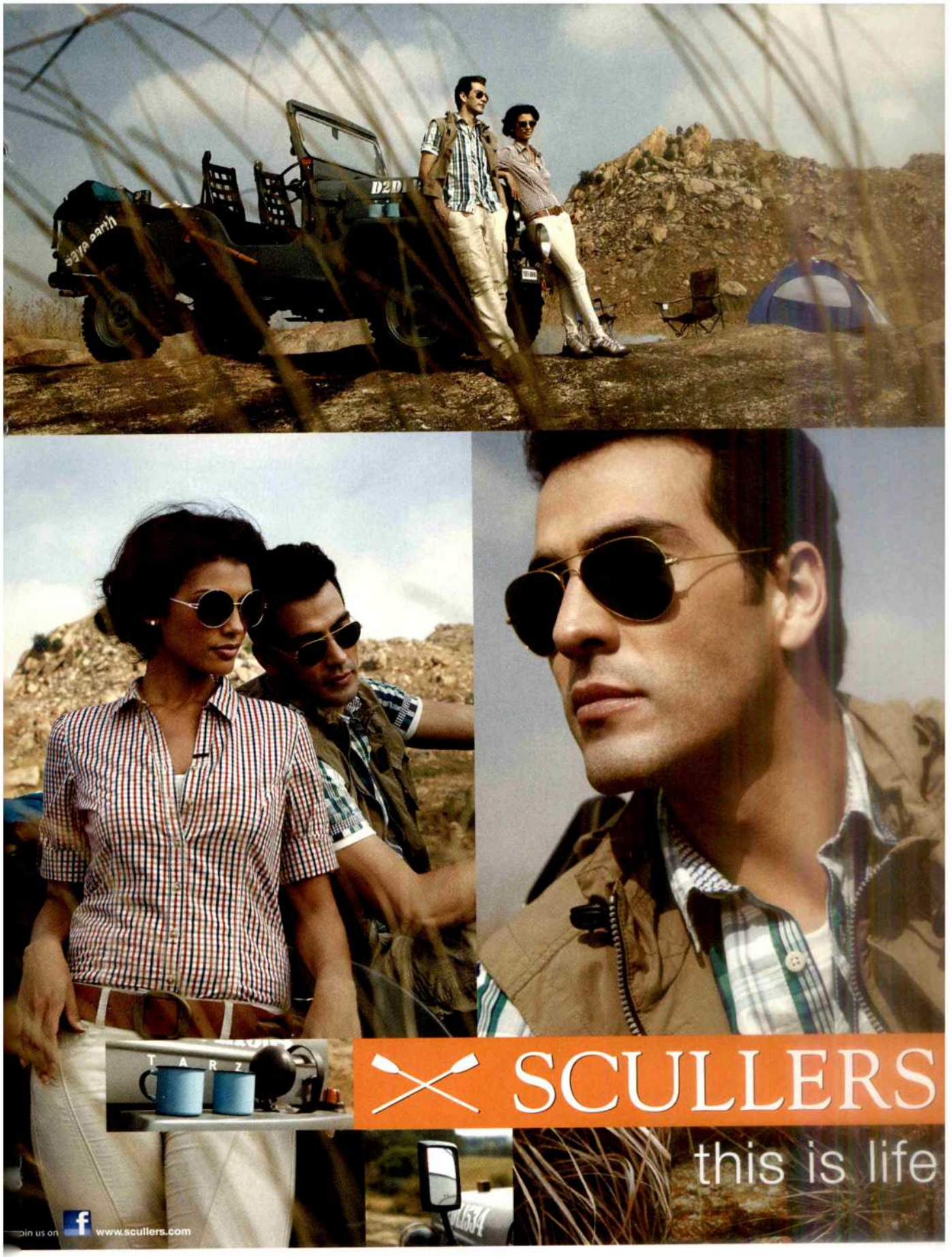
How much is Britain spending to host the London Olympic Games this year?
(a) £4.55 billion (b) £5.66 billion (c) £6.77 billion

Correct answer to April 15 issue's question:
Which company emerged as the biggest recruiter from business schools in *BT*'s latest survey?
(a) Infosys
Winners: K. Ravi (Chennai), Sumit Agarwal (Kolkata), Gurvinder Singh (Ludhiana)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 249 correct responses

*Conditions apply



Scan to live
the Scullers life

EXCLUSIVE STORES: Bangalore • Bhimavaram • Chennai • Coimbatore • Calicut • Cochin • Gurgaon • Hyderabad • Indore • Jabalpur • Jhansi • Kanpur • Kannur • Kota • Lucknow • Malappuram • Mangalore • Mumbai • Palakkad • Raipur • Ranch • Satna • Surat • Thalassery • Trichur • Trivandrum • Vijayawada • Vizag

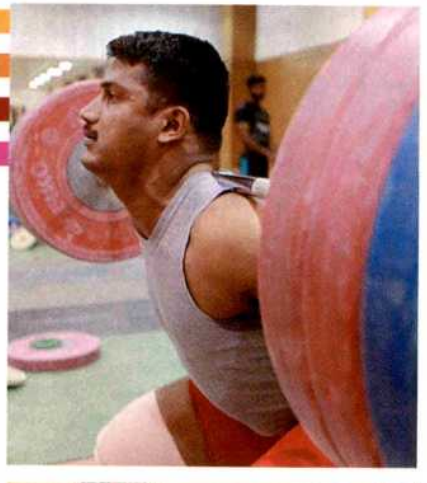
Also available at: CENTRAL pantaloons trendz

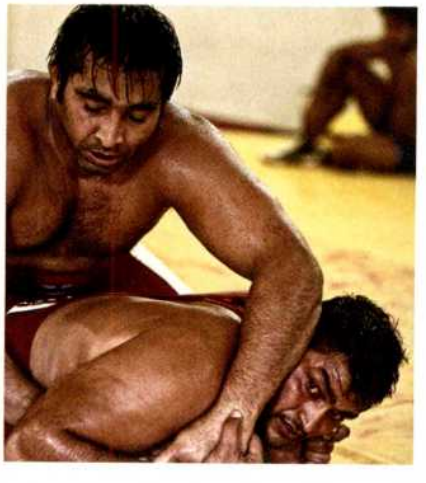
For franchise enquiries contact Suresh Nambiar. Ph. 09900089085, email: suresh.nambiar@indus-league.com

CONTENTS

COVER BY KAPIL
PHOTOGRAPH BY VIVAN MEHRA

MAY/13/2012
VOLUME 21/NUMBER 10





COVER STORY: OLYMPICS 2012

48 | Going for Gold
Corporate initiatives drive India's quest for Olympic medals, much like its business conquests. But no one is talking profit here

58 | Beyond the Finish Line
Britain's obsession with creating a lasting legacy for the London Olympics holds valuable lessons for India and other aspiring host nations

10 **UPFRONT**

10 | Quick takes on major events

14 **FOCUS**

14 | Error-stricken
A string of crucial data management and reporting errors has put India's data gathering and reporting under scrutiny

18 | InfyNitty-Gritty
Infosys needs to take a brutal look at whether its labour-intensive model works any longer

24 | Necessary But Not Sufficient
RBI has finally eased interest rates. But unless the government responds adequately, it will make no difference to either growth or inflation

FEATURE

36 | **Now, the Mistry Boys**
Ratan Tata has tweaked the Tata Group retirement policy to leave behind a clean slate for his successor, Cyrus Mistry

42 | **Financing Folly**
The second-rung of India Inc. is struggling with FCCB redemption

62 | **Trojan Warfare**
Online attacks targeting people have become the norm as hackers try to compromise entire networks

66 | **Such a Long Journey**
Online retailers say they are on the road to profits, but getting there is going to take a while

70 | **Wafer-thin Margins**
There is potential for growth, but only one e-grocery start-up has attracted funding so far

74 | **New Age Finishing Schools**
A new breed of skill development companies works closely with industry to not only provide training but also guarantee jobs

80 | **Untolled Woe**
Developers grapple with the financial fallout of less-than-expected traffic on highways

84 | **Show Time**
The multiplex industry is poised for explosive growth, with nearly 500 screens set to be added in the next year alone

88 | **Getting High**
A case study on how Mahesh Madhavan revamped Bacardi India, hiring new talent, firing underperformers and steering it to a new set of long-term goals

96 | ***BT*'s CFO Event: Nurturing the Money Plant**

MONEY

102 | **Touching Base**

LBNL

108 | **Lessons in Peak Performance**
There is much that executives can learn from mountaineers

P-TECH
111 | **Namaste, 4G**

SMART EXECUTIVES
112 | **You Have 10 Minutes**

BOOKEND
113 | **Indecent Exposure**

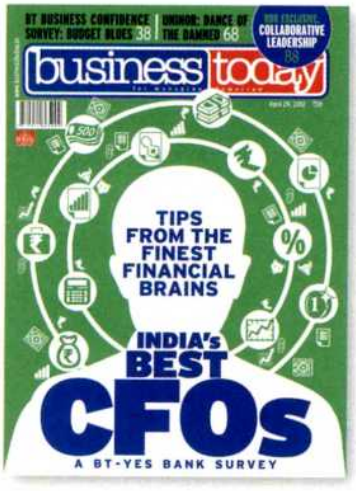
CAREERS
114 | **New Carrots for Old**

116 | PEOPLEBUSINESS

LEADERSPEAK
120 | **G.V. Prasad,** Vice Chairman & CEO, Dr. Reddy's Laboratories

Vital Role

Your cover story, India's Best CFOs (*Business Today*, April 29) shows that the life of a Chief Financial Officer is difficult yet exciting, especially in trying economic conditions like the present. The days of CFOs as number-crunching senior accountants are over. Today, most CEOs see CFOs as people who can



help them manage the business, complement their skills and offer leadership. CFOs should not only know what their companies are up to, but also need to understand broader sustainability issues and trends, and anticipate what investors and other stakeholders want. In short, the CFO is the real leader facing the ultimate challenge of cost management.

Soumit Biswas, *Delhi*

www.facebook.com/BusinessToday

HDFC Bank Q4 beats forecast, profit up by 30 per cent: Is the economy reviving? Well it is too early to predict anything.
Surendra Pratap S. Rathore

Google Earth helps reunite lost son with mother after 25 years: It is an old story. But see how technology can bridge divide of any kind
Sandeep Paul

And #pranabmukherjee said economy will grow steadily @BT_India: IMF marginally lowers India's growth forecast.
nishant nayyar

Future Imperfect

Uninor (*Dance of the Damned*, April 29) is an unusual player, unlike other telecom players in India. Despite being given the death sentence by the Supreme Court, it has recorded the second-highest net new subscriber additions recently. Subscribers, mainly in small metros and towns, are attracted by the low tariffs offered by Uninor. But as the June 2 deadline – by which the Supreme Court wants its licence cancelled – nears, I wonder what the company can do to stay on in this country. Recent protests by Uninor employees have added to the problem. How will the government justify Uninor's closure if so many people lose their jobs?

Jagadish Kumar, *Ghaziabad*

Wake Up!

Three hundred years ago, Benjamin Franklin coined the phrase "early to bed, early to rise; keeps a man healthy, wealthy and wise". Research has confirmed that early birds (*Advantage, Morning Persons*, April 29) are generally slimmer, healthier and more active than night owls. Waking up early reduces stress. Besides, morning exercises help develop stamina. One should know that health is wealth.

Bithi Dutta, *Pondicherry*

Send all your comments to editor.bt@intoday.com

www.businesstoday.in/coverstory: *India's Best CFOs* (April 29) talks about the *BT*-YES Bank survey on top CFOs and their challenges

www.businesstoday.in/coverstory: *Pill Talk* (April 15) is about India's quest for cheaper life-saving drugs and other health care ills

BT SCRAPBOOK
- React to articles in BT
- Suggest story ideas
- Share your experience as consumer or SME
- See what others have to say on our stories on scrapbook at www.businesstoday.in

HOW TO CONTACT BT

WRITE TO:
The Editor, Business Today, Videocon Tower, 5th Floor, E-1, Jhandewalan Extension, New Delhi–110055.
E-mail: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.businesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India;
Toll free no. 1800 1800 100
(from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

Mahindra

IT DELIVERS EFFICIENCY, IT PRIORITISES SAFETY, IT INSPIRES LOYALTY, IT LASTS A LIFETIME, IT'S A MAHINDRA.

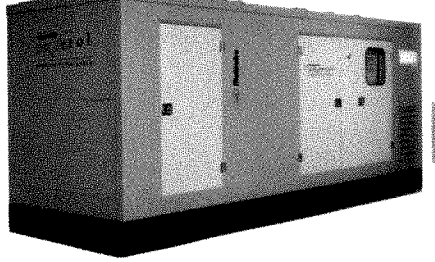
Presenting Mahindra Powerol DG sets equipped with **DET.**

When you buy a Mahindra, you expect a lot from it. And Mahindra Powerol DG sets are no different. They're low-noise, CPCB approved and are built with high grade materials. So they deliver high levels of efficiency, safety, durability and reliability. This has made Mahindra Powerol the fastest growing brand in the demanding telecom sector. Now equipped with Diesel Efficiency Technology, Mahindra Powerol gensets boost efficiency higher, to bring your cost of ownership even lower.

Fuel efficient, long life engines | Low vibration & noise levels | GPRS equipped (Optional)
Over 300 sales & service touch points | Frost & Sullivan Voice of customer award 2010 – Best Bang for the Buck & Most Preferred Brand in Telecom Segment | Range 2.5 kVA TO 500 kVA
Warranty for 2 years or upto 5000 hours*

INTERFACE 280446

Diesel Efficiency Technology
DET



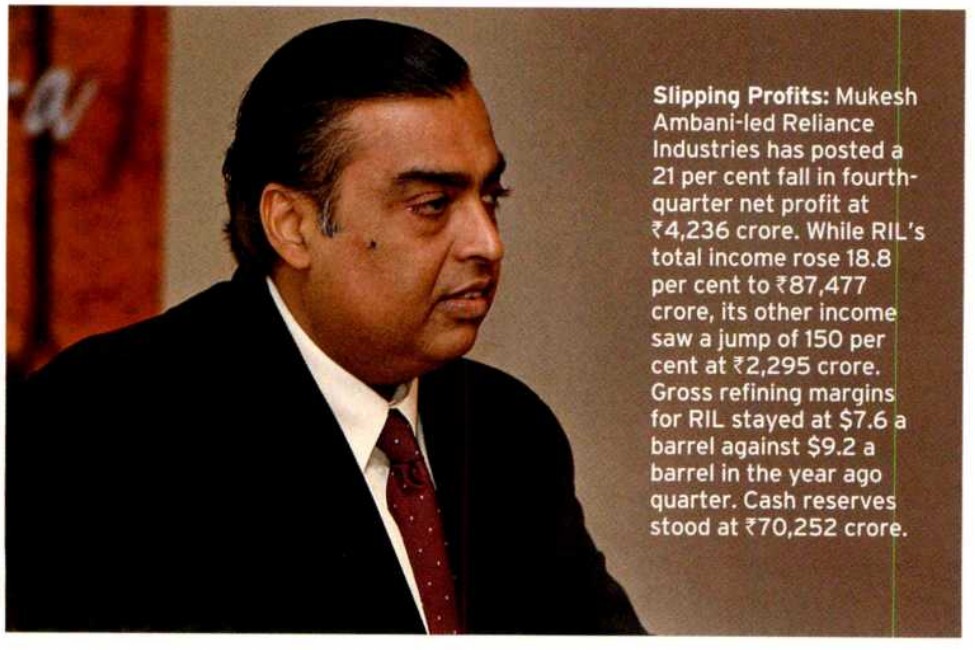
Mahindra
powerol
Engines & DG sets
powered efficiently

Call toll free
1800 419 1999

ghosh.joy@mahindra.com | www.mahindrapowerol.com | FINANCE SCHEMES AVAILABLE

* whichever is earlier. Applicable for 10 kVA DG Sets and above. Conditions apply

Head office: Mahindra & Mahindra Ltd. Mahindra Powerol, Farm Equipment Sector, Gate No 2, Akurli Road, Kandivali (East), Mumbai 400 101 Maharashtra (India) Tel: 91-22 6648 3051.



Slipping Profits: Mukesh Ambani-led Reliance Industries has posted a 21 per cent fall in fourth-quarter net profit at ₹4,236 crore. While RIL's total income rose 18.8 per cent to ₹87,477 crore, its other income saw a jump of 150 per cent at ₹2,295 crore. Gross refining margins for RIL stayed at $7.6 a barrel against $9.2 a barrel in the year ago quarter. Cash reserves stood at ₹70,252 crore.

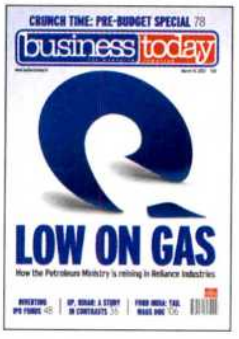
Corporate

Nokia posted a net loss of €929 million ($1.2 billion) in the first quarter of 2012 due to tough competition and lower demand for feature phones. The world's largest cell phone maker reported sales at €7.4 billion, down 30 per cent from a year ago period. The company has attributed its sequential decline in mobile phone volumes to reduced sales mostly in India and Europe. **India generated the highest sales in mobile devices after China in 2011 and 2010.**

HCL Tech CEO Vineet Nayar sports a broad smile these days. His company has registered its best ever quarter in booking terms – over $1.5 billion (₹7,767 crore). It posted a net profit of ₹603 crore in Q3, a rise of 28.7 per cent from a year ago.

CARICATURE BY SANTOSH

BT RETRO



In the latest episode in its dispute with the government, Reliance Industries has moved the Supreme Court seeking appointment of an arbitrator over cost issues surrounding the KG basin gas field. For a long time, RIL enjoyed a good rapport with the petroleum ministry; no longer. See *Low on Gas, BT*, March 18 (*www.businesstoday.in/mukesh-jaipal*).

The issue of opaque fares – the practice where a portal sells heavily discounted tickets and keeps the identity of the airline a secret till the day of departure - has taken a new twist. **While IndiGo has pulled out its content on MakeMyTrip, Jet Airways has cut its inventory on this travel portal.** MakeMyTrip is not taking things lying down. It says all the fares are displayed as per the norms approved by the airlines. Expect more fireworks on this front.

iGate Corp has accepted its minority shareholders' offer of ₹520 a share to delist its Indian unit **Patni Computer Systems.** iGate, which makes outsourcing software, had bought a controlling stake in Patni for ₹503 a share last year. In the past, iGate had consistently maintained that any price above ₹450 would be unacceptable.

Citigroup Chief Executive Vikram Pandit and the bank's directors are facing shareholder ire over outsized salaries paid to top executives. They have been sued for awarding more than $54 million in compensation in 2011 to these executives, including $15 million to Pandit though the bank's performance did not justify it. This marked the first time that investors had rejected a compensation plan at a major US bank.

Jim Yong Kim will be the new **World Bank President.** He will replace Robert Zoellick, whose term ends on

June 30. Kim is the first physician and Asian-American to head the lender, and he will continue the US monopoly on the job.

The Chairman and Chief Executive at Berkshire Hathaway, Warren Buffett, informed investors in a letter that he has prostate cancer that is treatable. In his typically reassuring tone, he claimed his energy level was 100 per cent. The 81-year-old Buffett's stake in Berkshire Hathaway is worth about $44.6 billion, and in recent years he has become one of the world's most generous philanthropists.

Economy

Blame it on policy uncertainty and the slowdown globally. **The International Monetary Fund (IMF) lowered its India growth forecast for 2012 to 6.9 per cent from 7 per cent earlier.** The IMF, however, has kept its 2013 forecast for India unchanged at 7.3 per cent. The report says tighter fiscal policy and tackling supply bottlenecks are essential to maintain growth. However, Chief Economic Advisor to the Prime Minister, Kaushik Basu said major reforms are unlikely before the 2014 general elections.

India's trade deficit hit a record $185 billion in 2011/12, as compared to $118.7 billion in 2010/11. This is largely due to a jump in imports of petroleum, gold, coal, fertilisers and edible oils. Merchandise exports, too, are on the rise, increasing 21 per cent year-on-year to $303.7 billion in 2011/12.

The expansion of the **Wholesale Price Index (WPI), the country's main inflation indicator, eased marginally in March** due to softening prices of manufactured goods. The March headline inflation number came in at 6.89 per cent as compared to 6.95 per cent in February. Meanwhile, the **retail price inflation, based on the consumer price index, rose 9.47 per cent in March**. The inflation stood at 8.83 per cent in February. High prices of vegetables, milk and meat contributed to the common man's agony.

$1 billion

Estimated external commercial borrowing window for aviation sector. The cap for individual airlines is pegged at $300 million. This is likely to help cash-strapped carriers such as Kingfisher Airlines to raise working capital abroad.

$112.5 mn

Worth of recent FDI approvals. Shantha Biotechnics got the nod to hike foreign equity. Mahindra&Mahindra got the approval for a JV for radar systems.

$1.1 billion

Audi's price to acquire Italian motorcycle maker Ducati. The latter has won 13 Superbike World Championships since 1988.

Markets

Following the **RBI's** 50 basis points cut in repo rate, banks are easing the pressure on deposit and lending rates. **IDBI Bank** was first off the block in bringing down rates on loans and fixed deposits. Among other measures, **ICICI Bank** cut interest rates on retail fixed deposits for various tenors by 25 basis points. **HDFC Bank** has promised to cut its rates. Consumers can expect lower rates on home, education and auto loans.

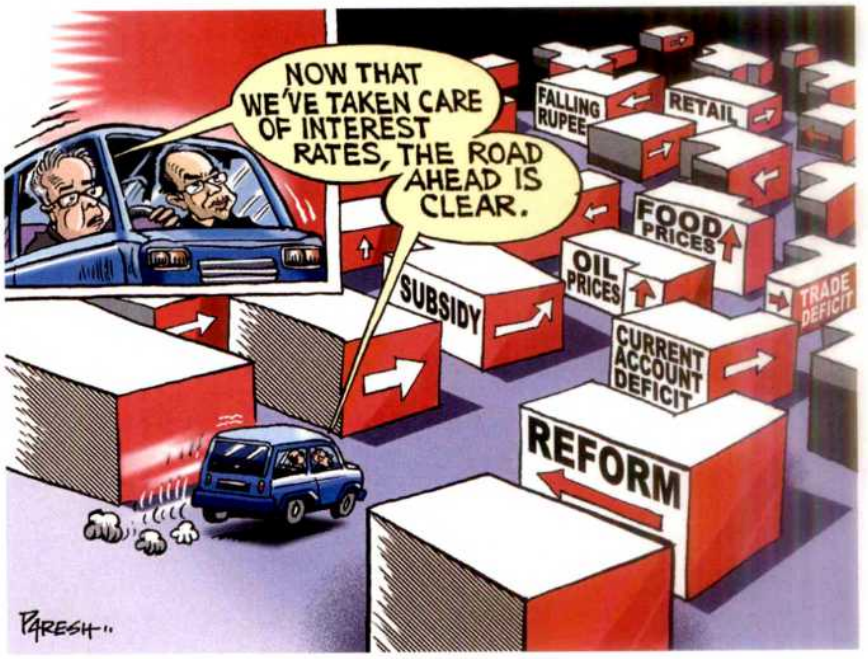
UBS has downgraded Indian shares to 'Neutral' from 'Overweight' and sees better investment opportunities in China. The investment bank feels that India is less likely to see downside surprises on inflation, and hence no aggressive rate cuts.

Coming Up

- Apple will start selling its new iPad in India from April 27. The Wi-Fi only model will start from ₹30,500 and the one with 3G connectivity will cost at least ₹38,900. The new iPad supports 4G. Airtel has launched 4G services in Kolkata.

- Over 100 top companies, including Reliance Industries, Infosys and HDFC Bank, will participate in Citi's investor conference in Mumbai from May 30 to June 1.

- A faster version of Akash, the low-cost tablet computer will be launched in May, according to Telecom Minister Kapil Sibal.



ULTRA LUXE LIVING FOR THE PRIVILEGED FEW

After the grand success of Diplomatic Greens, Phase - I, Puri Constructions takes luxury living several notches up with PRIVÉ, an exclusive private living experience.

3 kms from Indira Gandhi International Airport | **0 kms** from Delhi, right on the Delhi-Gurgaon border | **2 kms** from Diplomatic Enclave II | **Right** on the 150 mtr. wide under construction Dwarka Expressway | **Only** 2 iconic towers & 10 luxury pool villas spread across 4 acres of landscaped greens | **Designer** Smart Home Automation | **VRV** Air-conditioning & fully fitted wardrobes | **Dedicated** business centre | **Separate** gym & pool | **21,000** sq.ft. Club House

Construction in full swing.

Phase I sold out.

DIPLOMATIC GREENS

PRIVÉ

SECTOR 111, GURGAON

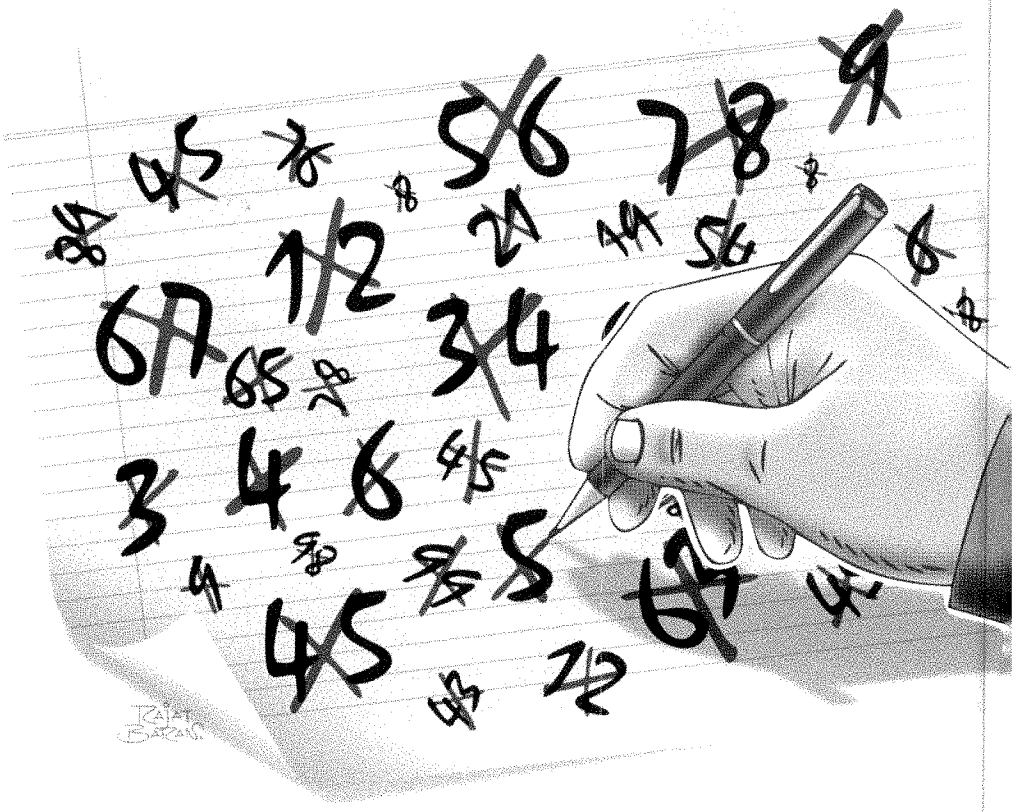
T +91 11 43636363
W puriconstructions.com

License No. 55 of 2010 dated 25/7/2010 in Sectors 110-A & 111, Gurgaon granted to M/s. Puri Construction Pvt. Ltd. and others for 15-45 acres by DG,T&CP Haryana. Building Plans approved on 1/12/2011 vide Memo No. ZP-729 (JD)/BS/2011/17878 Dated 1/12/2011. 387 Nos. of DUs + 69 EWS. Nursery School, Convenient Shopping, Community Building. To see statutory approvals, please visit our Corporate Office.

triverse

FOCUS

18 Infosys's worries
24 RBI's rate cut
30 Sensex confounds sceptics
32 The tsunami scare



Error-stricken

India's data management and reporting are under scrutiny after some crucial mistakes. By SHWETA PUNJ

1.1%
is the actual factory output for January, revised down from 6.8%

Answering investors' questions about data errors is embarrassing, says Samiran Chakraborty, Regional Head of Research (India), Standard Chartered Bank. He crunches numbers and puts out estimates on key economic indicators. While drawing up a forecast for the factory output for February, he found himself in a dilemma. "I wondered if I should factor in the error in the January data for industrial production," he says. "I was sure there was an error, but I didn't know when it would be rectified. And it affects the accuracy of our forecast for the next month."

The Central Statistics Office (CSO), part of

the Ministry of Statistics and Programme Implementation, revised factory output growth in January down to 1.1 per cent from the earlier estimate of 6.8 per cent. A CSO release said the error occurred because the sugar output was wrongly reported at 13.41 million tonnes. In fact, this was the cumulative figure for three months, not just January. Actual sugar production in January was 5.81 million tonnes. Economists are baffled that CSO officials failed to notice the unusually high figure.

Pranob Sen, former Chief Statistician of India, says checks are built into the system to detect unusual data movement. "But if the last step of a human check is not done, those checks are not effective," he says.

"THE STATISTICS DEPARTMENT DOES A SET OF STRUCTURAL CHECKS, BUT HOW WELL YOU DO THE TASK DEPENDS ON HOW MUCH TIME YOU HAVE"

T.C.A. Anant, Secretary and Chief Statistician of India

In the last two years, there have been two corrections on important economic indicators tracked by CSO. GDP growth for the first quarter of 2010/11 was wrongly reported as 3.7 per cent and later revised to 10 per cent. And now the January figure for the Index of Industrial Production (IIP) has been revised downwards.

Chief Statistician of India T.C.A. Anant defends CSO's role in the IIP correction, saying it followed protocol after it noticed the surge in sugar production. He adds that the food ministry, which collates sugar data, even confirmed the unusually high number.

Anant says CSO depends on ministries for the data it uses to calculate indices, and faces pressure from policy makers, who want information quickly.

"The risk of error is higher in certain series," says Anant. For example, the volatility of production data makes IIP more susceptible to error than, say, the Wholesale Price Index. CSO gets data from 15 agencies. There is an agreed time frame for reporting, but most agencies are slipping on their schedules. "The error occurred because of the slippages," says Anant. "The department did cross-check data with the food ministry. It does structural checks, but how well you do the task depends on how much time you have."

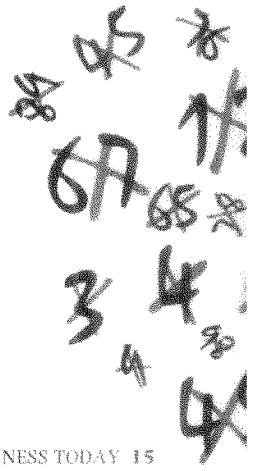
Delays in reporting by agencies and the pressure to release data as early as possible are testing the limits of CSO's structural checks. But this explanation does not satisfy policy makers when the data in question is one of the most crucial indicators of the Indian economy.

"A delay of one or two days is lesser a crime than releasing the wrong data," says C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council. But a delay would mean violating an advance release calendar for data issued by CSO.

The errors suggest that data collection and computation methods have not kept pace with economic growth, and there is a need for reform. "If they don't reform the system, errors will crop up," says economist Sudipto Mundle.

"The IIP, which was very good in the 1980s, is not very good today," says Anant. He adds that reforming it and making it more dynamic with a changing composition would be an institutional challenge.

Rangarajan has set up a committee to analyse the structure of IIP, underscoring the need to examine the methodology for com-



WRONG NUMBER

DATE	INSTANCES	ERROR	GOVT'S EXPLANATION FOR MISTAKE
Sep '10	Miscalculation of Q1 2010/11 GDP figures	GDP estimated at 3.7%, and later revised to 10%	Use of a wrong price deflator
Apr '12	IIP for January revised to 1.1% from 6.8%.	Error in sugar production data - instead of actual figure of 5.8 mn tonnes, a three-month figure of 13.4 mn tonnes was used	Inaccurate data from Directorate of Sugar in Ministry of Consumer Affairs, Food and Public Distribution

puting data. The committee, headed by Planning Commission member Saumitra Chaudhuri, will consider new commodities for inclusion in the index, and revisit the weightages. The data collection procedure has been an issue of concern for several years. The multiplicity of sources cannot be avoided, but greater responsibility could be fixed in each department for the collection and release of data.

While the misreporting of GDP growth was a computation error, the IIP mistake was caused by a flub on the part of the data reporting agency. Rangarajan of the Economic Advisory Council says: "It should have struck somebody when the sugar production shot up. Questions should have been asked."

CSO's chief says that the spike in sugar production was spotted and verified with the food ministry, but that could not prevent erroneous data from being reported.

Economist Mundle says that since IIP is dependent on multiple agencies and departments which "have zero professionalism", data collection is "very messy". Greater accountability and capacity expansion at the reporting agency level may help reduce such errors. But human error, which is responsible for many data reporting errors, is the most challenging to tackle. Data management and reporting experts say a structural change in the way IIP is computed will not necessarily minimise human error. "I don't think there is any way to minimise it," says former chief statistician Sen.

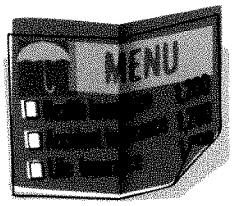
For example, when the exports figure was overstated by $9.4 billion for the period between April and October 2011, the problem was identified at the data entry level. Typically such data is entered by customs officials and collated from ports.

The impact of the series of data corrections is being felt widely, and data miners like Standard Chartered's Chakraborty are increasingly depending on data from the Reserve Bank of India, companies and surveys.

"A DELAY OF TWO DAYS IS A LESSER A CRIME THAN RELEASING THE WRONG DATA"

C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council

In fact, Chakraborty is bracing himself for another revision. "I think that the second- and third-quarter GDP data will be revised substantially, too," he says. "Look at the consumption data – private consumption growth slipped from 5.9 per cent to 2.9 per cent, and back to 6.2 per cent in three quarters last year. Such a zigzag generally does not happen with consumption growth, and the 2.9 per cent number does not gel with other indicators of consumption." ◆



WORDSMITH
(NEW WORDS IN BUSINESS)

Cafeteria Plan

Meaning: A package of benefits that allows the employee to make choices

Origin: Mostly used in new-age insurance plans. Cafeteria plan options may include health and accident insurance, cash benefits, tax advantages and/or retirement plan contributions

Usage: "Our company is offering a host of cafeteria plans, which will benefit most of us"

Ready finance that helps build India.

It's not often a financial institution inspires art. This Kalamkari artwork represents how GE Capital is creating jobs and empowering businesses throughout the country. Providing financial products and services to help people and businesses shape their own futures. Just another way GE works to build India. **www.ge.com/in**

imagination at work

InfyNitty Gritty

Infosys needs to take a brutal look at whether its high-margin, labour-intensive model works any longer. By GOUTAM DAS

DEEPAK G. PAWAR/www.indiatodayimages.com

Tough choices: Infy co-founder and CEO S.D. Shibulal

INFOSYS HAS THE HIGHEST OPERATING MARGIN AMONGST TOP-TIER TECH FIRMS BUT ITS PACE OF REVENUE GROWTH HAS SLOWED

Friday, April 13 began as a sunny and clear day in Bangalore. But well before noon, for Infosys, the city's most visible corporate resident, it was clear that the day would be its darkest in a while. Shares of Infosys lost 12.5 per cent in the six trading days that followed.

At 8.45 that morning, just before the country's stock markets opened for trading, Infosys had delivered a shocker. It said it would grow revenues between eight and 10 per cent in 2012/13, significantly lower than the expected industry average of 11 to 14 per cent expansion. It was facing a slowdown of projects among its financial services clients. There were delays in ramp ups in existing contracts. New deals, especially the larger ones, were taking time to seal. If that was not all, the company said a visa investigation in the United States "could materially and adversely affect" its business.

But there was an even larger question begging attention. Is it the end of the Infosys Way? For years, the company positioned itself as a premium service provider and seldom hesitated in walking away from deals that did not meet its margins aspirations. That has played out since as early as 1994 when it walked out of a deal with General Electric after the US multinational pushed for what Infosys co-founder and Chairman Emeritus N.R. Narayana Murthy once called 'unfair' billing rates.

But the stance is getting badgered. In an open letter, dated April 19, to Infosys co-founder and CEO S.D. Shibulal, CLSA

Welcome to a country that has no fixed location.

Popularly known as the floating island, this enchanting destination is a holidayer's paradise that lets you holiday – freestyle!

The hospitality is overwhelming but addictive. The multiple living options cozily snuggled within this exotic paradise make for the perfect haven, whether you choose to live like a king or otherwise.

Among the many attractions, you can choose to take a walk along our shoreline and soak-in the panoramic view, or then bask under a perfect Mediterranean weather with a chilled beer (or two).

Once you've built an appetite, prepare to be spoilt for choice over an array of culinary goodness from around the world. For those hungry in the wee hours, the round-the-clock diners can satisfy your hunger pangs.

Luckily, for the party animal in you, the celebrations only get bigger. Enjoy mesmerizing live shows and dance performances, or carry your lucky charm to the casino, else watch yourself become the life of the party at the nightclub. While you decide when the revelry ends, rest assured, the entertainment will never stop.

There's a lot more that we can tell you about this paradise, but wouldn't you rather, discover it for yourself?

www.starcruisecountry.com - It's time you visited.

STAR CRUISES

The Leading Cruise Line In Asia-Pacific

Special offer on Balcony cabins*

For further information call Star Cruises - Ahmedabad: 098250 07599, Bangalore: 099009 63807, Mumbai: 022 61388888, New Delhi: 011 29561831/32/33

For Bookings please contact your nearest Travel Agent or our Preferred Sales Agents: Travel Tours: 080 44800800, Thomas Cook The Holidaywallas: 022 61603333, SOTC World Famous Tours: 1-800-2093344, JTB Travels: 022 66202800, JetAir Tours: 022 30658237, Guideline Travels: 022 40622218, Globotel: 033 40135598, Gainwell Travel & Leisure: 098300 47221, Exotic Holidays: 098760 88330, Discovery Holidays: 098312 60000, D Paul's Travel & Tours: 011 41255555, Cox & Kings: 022 22709100, Club7 Holidays: 090516 17870, Ark Travels: 033 42461926

*Terms & Conditions apply

Group analyst Nimish Joshi wrote: "... history is replete with multiple examples where loss of market share impaired pricing power over time and ultimately led to convergence of cost structures and margins across companies. Investors fear that Infosys could be headed down the same path with its current growth objectives." Joshi said his letter reflects views of over 100 Infosys investors.

Infosys still has the highest operating margin amongst top-tier tech firms – 29 per cent versus 20 per cent of Cognizant – but its pace of revenue growth has slowed. Infosys has missed the top end of its revenue guidance for three quarters in a row now, unusual for a company that enjoys an 'under-promise, over-deliver' reputation. Its 2011/12 revenues of $6.99 billion were lower than its initial guidance of $7.13 billion to $7.25 billion made in April 2011. It is clearly not business as usual at Infosys.

Going by analyst projections, Infosys is likely to cede its No. 2 position in the IT services pecking order to Cognizant in the June quarter this year – much sooner than the first quarter of 2015 analysts had earlier predicted.

Over half a dozen analysts and dealmakers *BT* spoke to believe Infosys needs to rethink its high-profit-margins strategy if it wants to stay a serious player. In a climate where most large US and European corporations remain stressed, there is far more scrutiny of high-priced contracts. Infosys has not been able to move the needle on its high-margin consulting services: they generated 31 per cent of its revenues in 2011/12, flat from the previous year. Rivals point out how its intellectual property-based businesses stay low at 5.8 per cent of revenues.

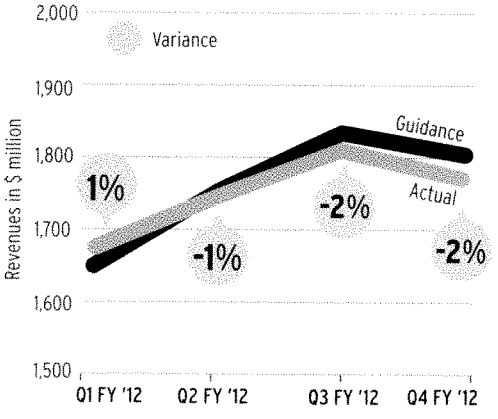
Outsourcing expert Sid Pai says the competitive reality in IT services has changed. "Five years back, Indian firms were smaller, there was an abundance of demand and if you didn't do deal X, deal Y would always arrive. That is not happening today," says Pai, Partner and Managing Director of sourcing advisory, TPI India. Industry insiders say Walmart and Bank of America have given more business to Infosys's competitors than to the Bangalore software bellwether.

While other Indian firms have caught up with Infosys on quality parameters, tech multinationals, which have expanded their employee base in India, now offer India prices. "It is no longer that the lowest price IBM can offer is $150 per hour. IBM today is capable of participating in deals at $30 per hour. Offshore pricing today, regardless of who is providing, is a like for like comparison," Pai says.

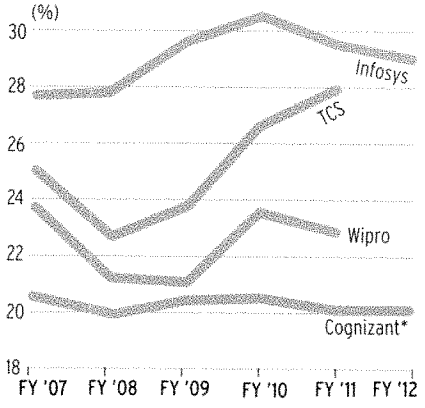
INFOSYS NEEDS TO RETHINK ITS HIGH-PROFIT-MARGINS STRATEGY IF IT WANTS TO STAY A SERIOUS PLAYER

BUMPY RIDE

Infosys missed top end of its guidance three quarters in a row



Operating margins of the top four IT giants



FY '12 figures for TCS, Wipro not available
*Calendar year 2011 Source: Company reports

In a December survey of 80 Infosys clients he conducted, says Sudin Apte, CEO of advisory firm Offshore Insights, many complained the company's contracting terms were stringent. "If there is a need to change technical specifications or a business process midway, Infosys is asking clients to revisit pricing. Cognizant and TCS, on the other hand, accommodate client requests," says Apte.

Infosys's famed 'brand premium' may be on the wane too. At American Express, a $100-million account for both Infosys and Cognizant, the latter has been able to command a five to seven per cent premium over Infosys, says Apte.

Other experts say that Infosys's efforts to emulate others in consulting have not been successful. "The ascent has been tougher because unlike Accenture or E&Y Infosys has not been able to position itself as a company with substantial consulting expertise," says T.R. Madan Mohan, Managing Partner at Browne & Mohan, a management consultancy.

Infosys' management, meanwhile, says it has a balanced approach. "We seek high-quality growth. At the same time we also adopt a portfolio approach. Large, annuity outsourcing deals are integral to our growth aspirations," says Shibulal on e-mail.

Market watchers suggest Infosys clearly needs to make a choice between revenues and profits – Cognizant, HCL Technologies and Wipro have all chosen to expand revenues as opposed to margins. Cognizant is growing at twice the rate of Infosys' and has guided for 23 per cent growth in 2012. Infosys needs to adjust its mindset to keep up, says Amneet Singh, India head of research firm, Everest.

Is it the end of the Infosys way? Infosys has four strategic choices: one, ease up on profit margin expectations. Two, use its $4.1 billion reserves to support the big technology bets through buyouts. Three, use a combination of the above two. Or, four, stick with its high-margin philosophy at the cost of slow revenue growth; and, get overtaken by rivals and be forced on pricing. ◆

BT RETRO

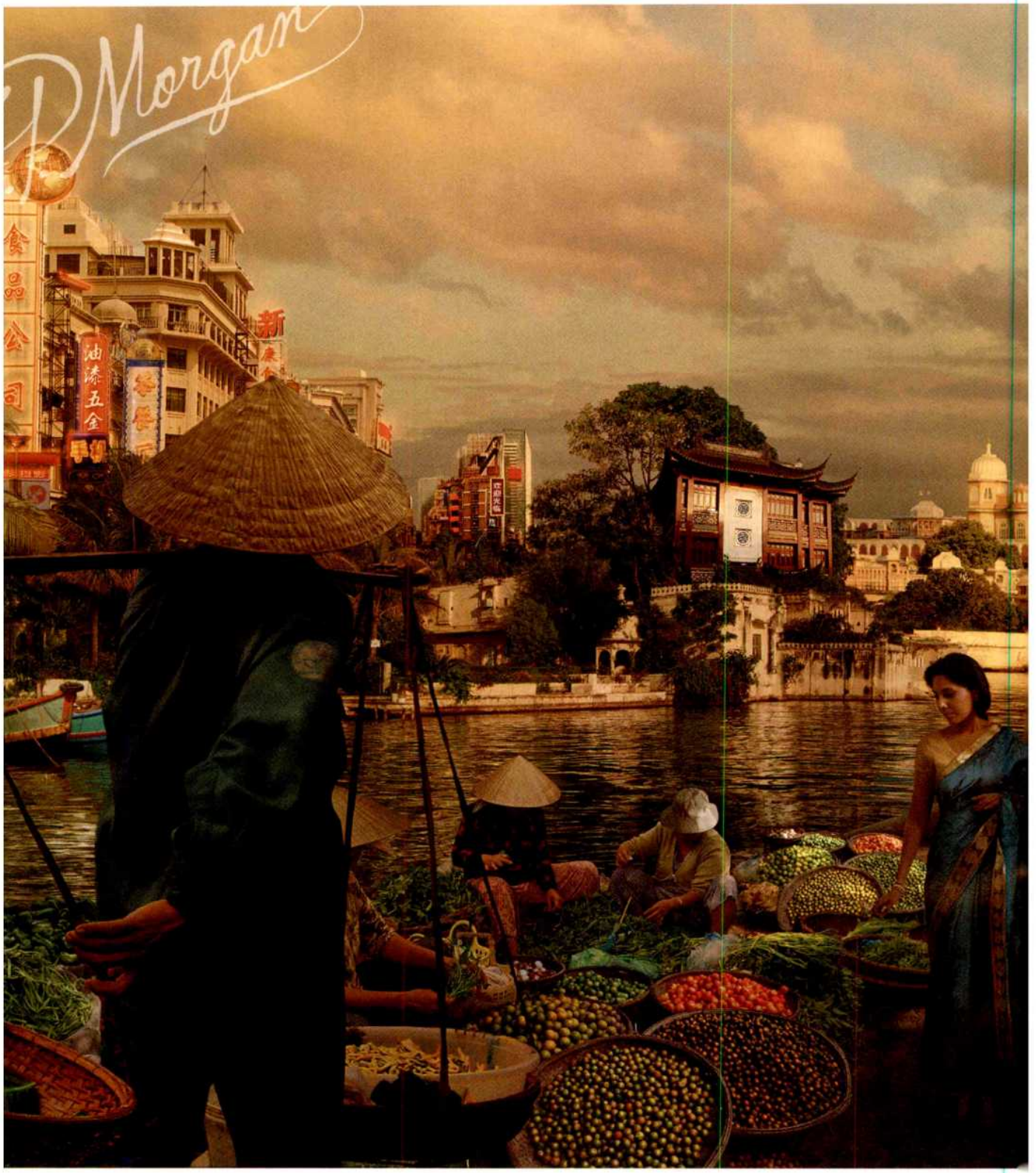
Analysts quoted in *BT*'s October 30, 2011, cover story on Cognizant predicted that the Francisco D'Souza-led firm would overtake Infosys in 2015. With Infosys slowing, Cognizant could take the No. 2 position as early as this June.

Send your comments to editor.bt@intoday.com

T-SHIRTS, DENIMS, SHIRTS, LINENS, TROUSERS, BERMUDAS, SHORTS, TRACKSUITS, TOPS, DRESSES, CAPRIS, JEGGINGS, LEGGINGS, VALUE PACK FOR MEN & WOMEN

Scan the QR code to experience the Monte Carlo collection.
To scan the QR code, use your existing barcode reader app or SMS 'MC' to 57775 to get a free scanner app.

Available at all leading outlets and exclusive showrooms. For further enquiries, e-mail: info@montecarlocollections.com, toll free no. 1800-1800-501, franchisee enquiries: 09357246775. For authenticity, please check the Monte Carlo hologram. Shop online at www.montecarloshop.in www.facebook.com/montecarlocollections. For latest fashion buzz, trends and contests follow us on www.twitter.com/MonteCarloStyle. For your nearest store location, SMS MC space <your city name> to 54242.



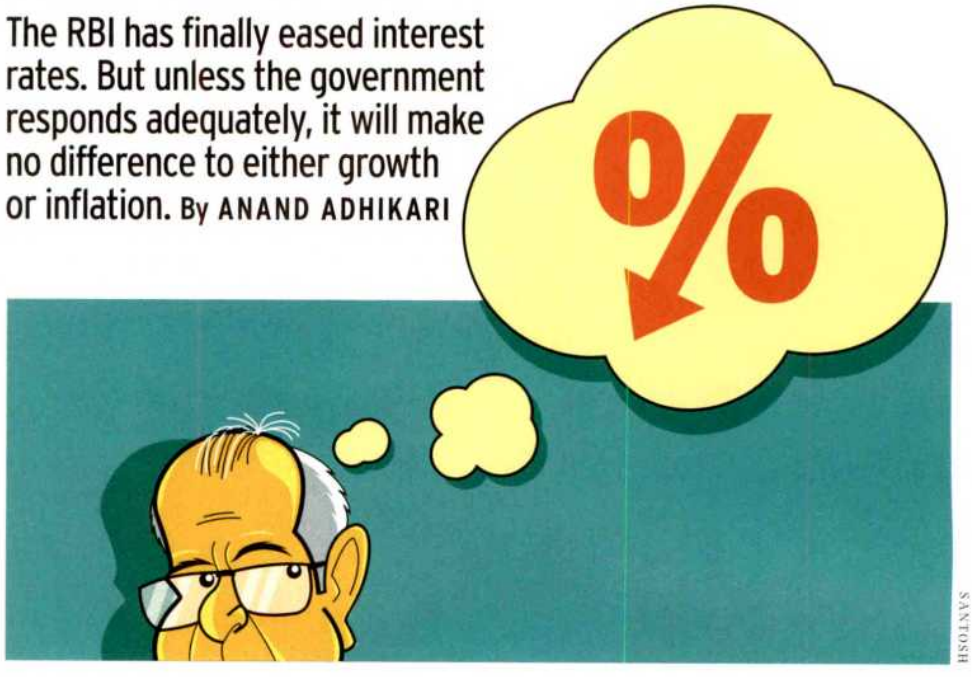
WE'RE AT HOME WHEREVER OUR CLIENTS ARE AT HOME.

From Asia to Europe, our global network and unique insights help clients everywhere take their business and investments anywhere. Look for new insights and perspectives every week on jpmorganglobal.com or by scanning the QR code.

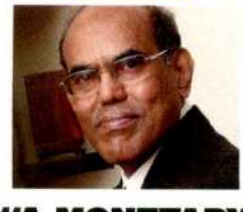
Distinctively
J.P.Morgan

Necessary But Not Sufficient

The RBI has finally eased interest rates. But unless the government responds adequately, it will make no difference to either growth or inflation. By ANAND ADHIKARI



SANTOSH



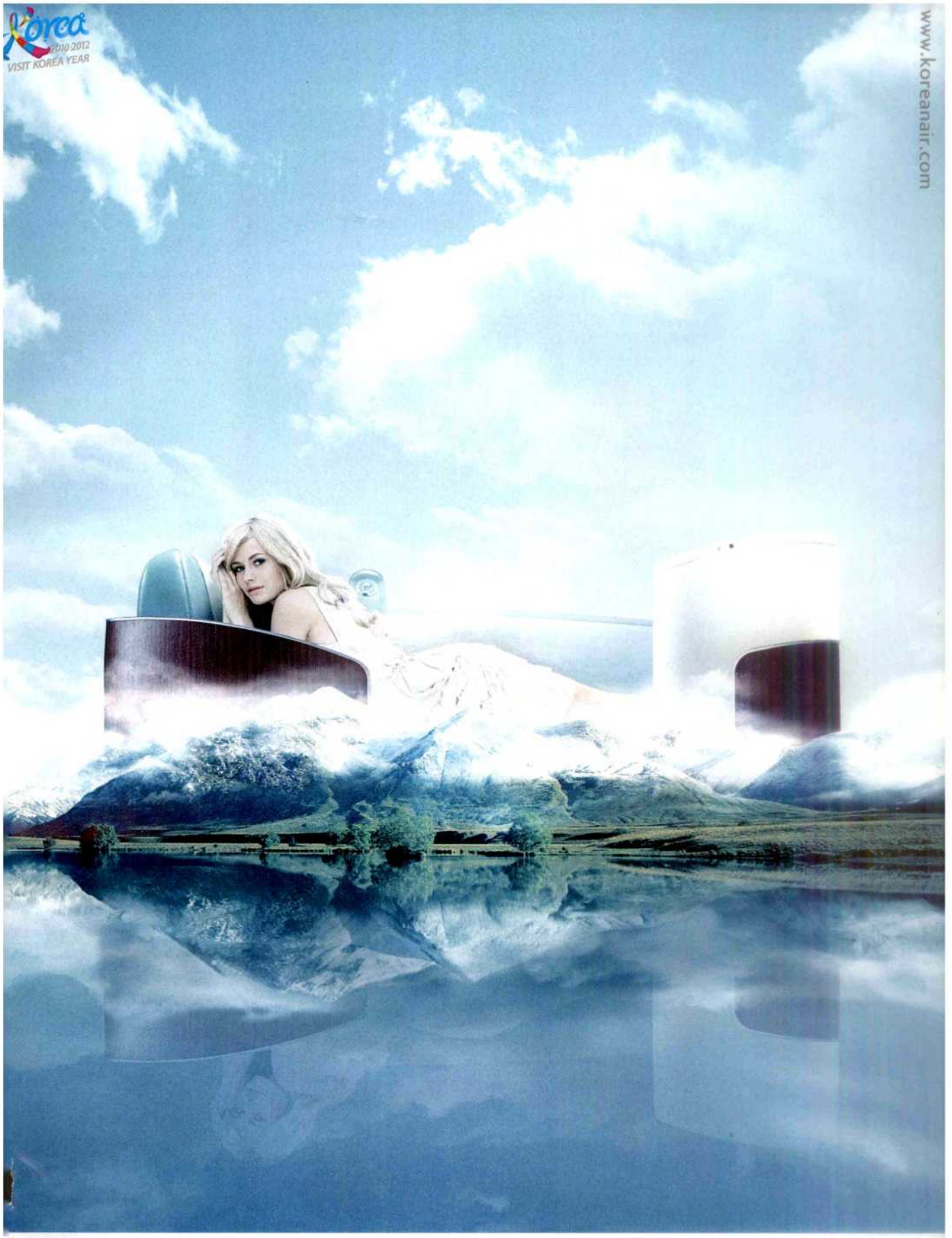
"A MONETARY EASING IS A NECESSARY CONDITION, BUT MAY NOT BE A SUFFICIENT CONDITION FOR INVESTMENT SENTIMENTS TO REVIVE."
D. Subbarao
RBI Governor

At the press conference held to announce the Reserve Bank of India (RBI) decision to reduce the repo rate – the rate at which it lends money to banks – by 50 basis points, RBI Governor Duvvuri Subbarao faced a tricky question. Did he feel RBI had done its bit, and it was now up to the government to respond adequately to revive the economy? At this, the other senior RBI officials sitting alongside Subbarao burst into knowing laughter. It was apparent the answer was in the affirmative. But obviously Subbarao could not say so. The RBI Governor lost none of his cool. "A monetary easing is a necessary condition, but may not be sufficient for investment sentiments to revive," he said.

The hint, however, was clear. It was policy bottlenecks rather than high interest rates that were responsible for the current slowdown. A second question followed: what should the government do so that the monetary policy easing Subbarao had announced made a tangible difference to the economy? Again, there was laughter. "We have indicated in the policy document what the government should be doing," said Subbarao.

The repo rate has been lowered for the first time in three years, from 8.5 to eight per cent, after being repeatedly raised by a total of 375 basis points since March 2010, in a bid to combat inflation. But most economists agree that the roots of the current phase of high inflation – at nearly nine per cent against the projected 6.5 per cent – lie in fiscal policy rather than in monetary policy. "The large fiscal deficit and focus on consumption (rather than on investment) spending has fuelled demand, triggering high inflationary pressures," according to a report by rating agency CRISIL Research. Thus the lowering of the repo rate alone is unlikely to boost growth and investment.

Gross domestic product (GDP) growth has slumped from 8.4 per cent in both 2009/10 and 2010/11 to 6.9 per cent in 2011/12. The government has projected GDP growth at 7.6 per cent in 2012/13, but it is doubtful if this will be achieved. External agencies have set the figure lower – the Asian Development Bank, for instance, putting it at seven per cent. Will the government now respond to RBI's move and make its own projected figure



xperience comfort on a whole new scale

rean Air provides the finest relaxation and
flight privacy in the sky.
oy the ultimate in comfort because up here,

Mumbai — Departure 0300 Tue, Thu, Sat 1415 Arrival — Seoul
Arrival 0125[+1] Mon, Wed, Fri 2000 Departure

Excellence in Flight
KOREAN AIR

Steps the Govt Can Take

- Bridge the supply side bottlenecks in food items, especially in meat, fish, vegetables
- Pass on the rise in global crude oil prices to consumers
- Stick to fiscal consolidation measures like capping of subsidies
- Reduce wastage in delivery of subsidies using initiatives like the UID
- Limit government borrowings to budgeted targets

more achievable?

Industry believes a dual approach is required. "To kick-start investments, there is work to be done on the policy front at one end," says Ajay Srinivasan, CEO, Aditya Birla Financial Services. "At the other end, the government should spend more of its budget on capital expenditure rather than on revenue." Rajesh Mokashi, Deputy Managing Director, Care Ratings Ltd, too, stresses the second point. "We need the government to spend more on projects so that a big push can be given," he says. "The government is the only entity which can borrow at 8-8.5 per cent and hence has the ability to push investment in infrastructure."

RBI's monetary policy document also notes that main reason for decline in growth is the emergence of significant supply bottlenecks – in infrastructure, energy, minerals and labour. "A strategy to increase the economy's potential by focusing on these constraints is an imperative," it says. A major cause of food inflation, for instance – which was at an average of 8.1 per cent between April and December last year, fell to negative in January, only to hit 9.9 per cent in March – is supply side bottlenecks for various items in the food basket, such as eggs, fish, meat, milk and pulses.

Again, RBI has been warning against the government's unwillingness to pass on the increase in global crude oil prices to consumers by raising the cost of diesel, kerosene and LPG. The price of Brent crude has been rising steadily for some time: it jumped, for instance, from $111 a barrel in January to over $120 in April. Yet, the last increase in domestic diesel prices was in July last year.

The government also needs to trim its own expenditure. In 2011/12, the fiscal deficit ballooned to 5.9 per cent against a targeted 4.6 per cent. In this year's Budget speech, Finance Minister Pranab Mukherjee maintained the current year's deficit would be contained at 5.1 per cent. But will it? "Any slippage in the fiscal deficit will have implications for inflation," says the RBI document. "Even though the Budget envisages a reduction in the fiscal deficit, several upside risks to the budgeted fiscal deficit remain." Mukherjee has also promised to cap subsidies at below two per cent of GDP. Yet, the government's budgeted net market borrowings this financial year are pegged at ₹4.8 trillion (one trillion equals one lakh crore), higher than last year's ₹4.4 trillion.

Experts also say the much discussed yet much delayed reforms like the introduction of the Direct Tax Code and the Goods and Services Tax, as well as reduction of the cap on foreign direct investment (FDI) in retail, defence and insurance, and reforms in land acquisition and mining laws would make a big difference to growth. Some of the measures, such as allowing FDI in retail, may be controversial, but the others at least should be pushed through quickly. "The low hanging fruit need to be plucked first," says Care's Mokashi. ◆

"TO KICK-START INVESTMENTS, GOVERNMENT SHOULD SPEND MORE OF ITS BUDGET ON CAPITAL EXPENDITURE THAN REVENUE"

Ajay Srinivasan
CEO, Aditya Birla Financial Services

Multimedia Connectivity

Multiple connectivity with iPhone/iPod, USB, SD Card, HDMI, PC & AV ports. Direct Playback of videos, photos, music, MS office and PDF documents.

44" Screen @1m*

Large Screen upto 160" for Big Cinematic Fun.

30000 Hrs. Lamp life*

Long Lamp Life of 30,000 hours.

3 Hrs. Battery Backup*

3 hours of backup on the go and anywhere.

HD-Ready with 720p Resolution

Enjoy your favorite programs in high definition.

The Ultimate Presentation Companion

iPhone/ iPod Dock

Plug n Play Apple iPhone or iPod by docking it on top of GP2.

Joybee GP2

Mini LED Projector

Made for iPod iPhone

The all new BenQ Joybee GP2 is a palm-sized mini projector featuring on-the-go cinematic audiovisual entertainment with ultra portability.

BenQ

Enjoyment Matters

www.BenQ.co.in

1800-419-9979

Like BenQ India on

Option Designs/BenQ/065

WARRANTY 2 YEARS

Please Call Team BenQ for any query:

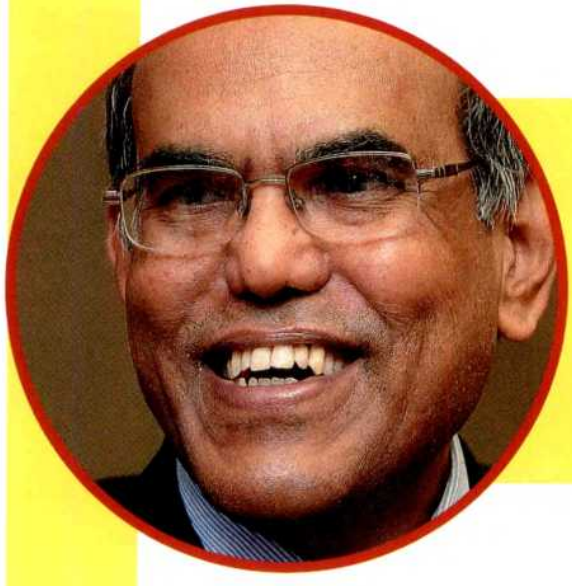
North: Muneer-9958011553; **West**: Mukesh-9220518440; **South**: Manoj -9884462259; **East**: Manoj.O- 9007066685

AUTHORISED DEALERS: Bangalore:- Vision Next (9845494986); **Chennai**:- Supreme computers (9500068488), Icon Office Equipments (9840087873); **Coimbatore**:- Image Icon (9894244944); **Dehradun**:- Audio Systems (09412984591); **Delhi**:- Insat Equipments (09810093880); **Hyderabad**:- RK Projections (9885136533); **Indore**:- Pacific Marketing (9826037540); **Kottayam**:- KM Technologies (9895715945); **Mumbai**:- Crew Business Systems (9821334219)

*Terms & Conditions apply- In Eco Mode, Battery Optional

"The monetary policy announcements should help in investment revival and contribute to strengthening of business sentiments"

Pranab Mukherjee, *Finance Minister, to* wire agencies



The reduction in the repo rate is based on an assessment of growth having slowed below its post-crisis trend rate, which, in turn, is contributing to the moderation in core inflation

D. Subbarao, *Governor, Reserve Bank of India, to* wire agencies

HIGH INTEREST RATES WERE HAVING NEGATIVE IMPACT ON THE COUNTRY'S GDP. THE CYCLE OF REPO CUT HAS STARTED AND WE MAY SEE MORE CUTS IN FUTURE

Adi Godrej, *CII President and Chairman, Godrej Group, in* The Indian Express

"I have never seen such negativity about the India story...investors want India to sort out its problem first"

Deepak Parekh, *HDFC Chairman, on* CNBC TV18

Margins will continue to be under stress. A repo rate cut does not bring down the cost in any way

K.R. Kamath, *Chairman & MD, Punjab National Bank, in* Hindu Business Line

TAPMI

is now

AACSB ACCREDITED

The Association to Advance Collegiate Schools of Business (AACSB) Tampa, Florida, USA:

- The premier global accreditation body, which endorses high quality of academic processes
- Less than 5% of the world's 13,000 business programs have earned AACSB Accreditation
- AACSB-accredited schools produce highly skilled graduates who are more desirable to employers

Visit http://www.tapmi.edu.in/AACSB

T. A. Pai Management Institute

Manipal - 576 104, Karnataka, INDIA

5 STEPS TO HERE

GOODWILL BUILDING

The last five visits by Indian and Pakistani heads of state to the neighbour country

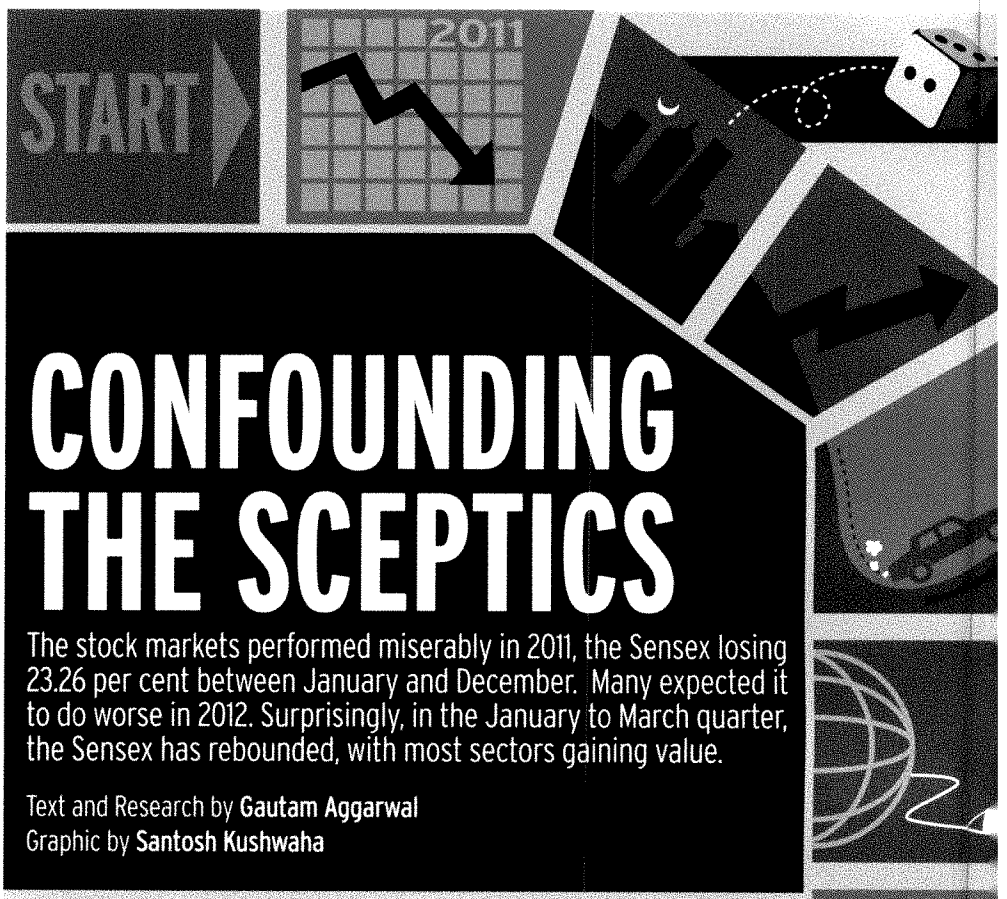
Dec 29-31, 1988
Prime Minister Rajiv Gandhi attends SAARC meeting in Islamabad, holds discussions with Pakistani counterpart, Benazir Bhutto

Feb 19-21, 1999
Prime Minister Atal Behari Vajpayee travels on the inaugural bus run from Delhi to Lahore, meets counterpart Nawaz Sharif, signs Lahore Declaration

Jul 15-16, 2001
President Pervez Musharraf meets Vajpayee in Agra, but talks collapse due to differences over Kashmir

Apr 16-18, 2005
President Musharraf visits Delhi to attend India-Pakistan ODI, also holds talks with Prime Minister Manmohan Singh

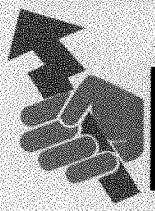
Apr 8, 2012
President Asif Zardari prays at dargah of Khwaja Moinuddin Chishti in Ajmer, meets Manmohan Singh in Delhi



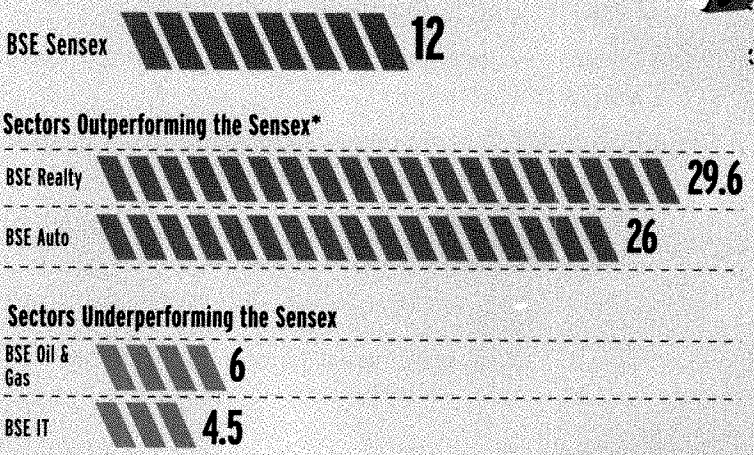
CONFOUNDING THE SCEPTICS

The stock markets performed miserably in 2011, the Sensex losing 23.26 per cent between January and December. Many expected it to do worse in 2012. Surprisingly, in the January to March quarter, the Sensex has rebounded, with most sectors gaining value.

Text and Research by **Gautam Aggarwal**
Graphic by **Santosh Kushwaha**

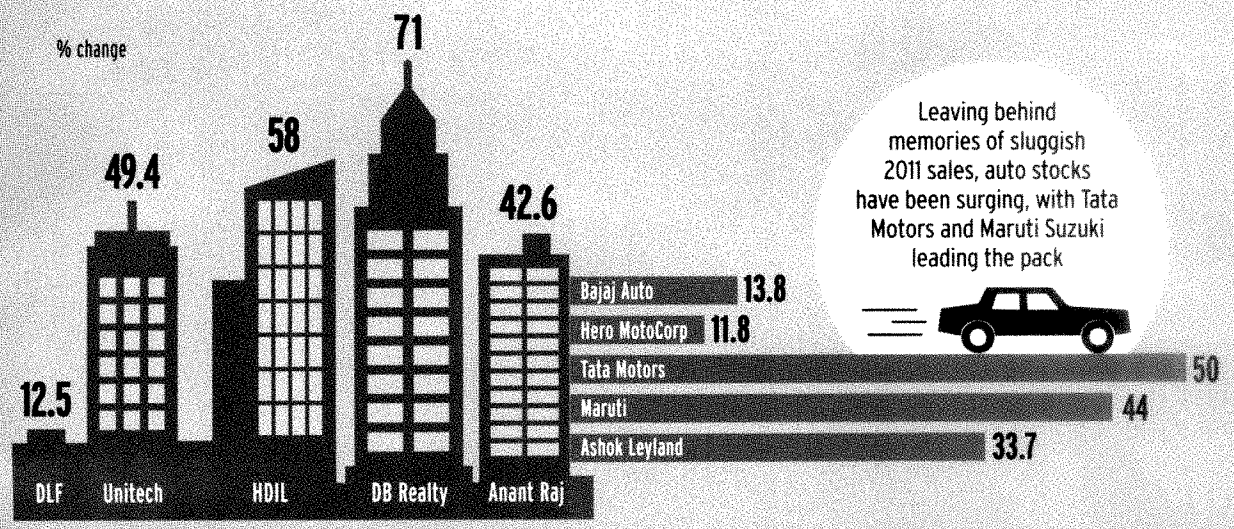


The Sensex has risen 12 per cent in the January to March quarter. Most sector indexes have done even better barring information technology and oil and gas



Consumer durables, banking, metal and power sector indexes also outperformed the Sensex.
All figures indicate percentage rise between January and March 2012.

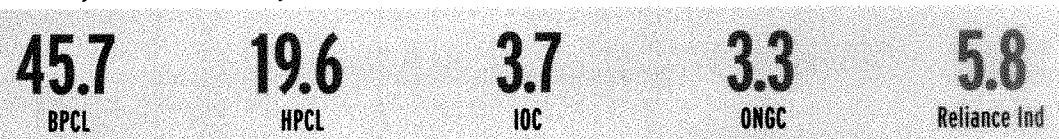
The realty sector has soared, with the two companies hit hard by the 2G spectrum scam, Unitech and DB Realty, both faring extremely well

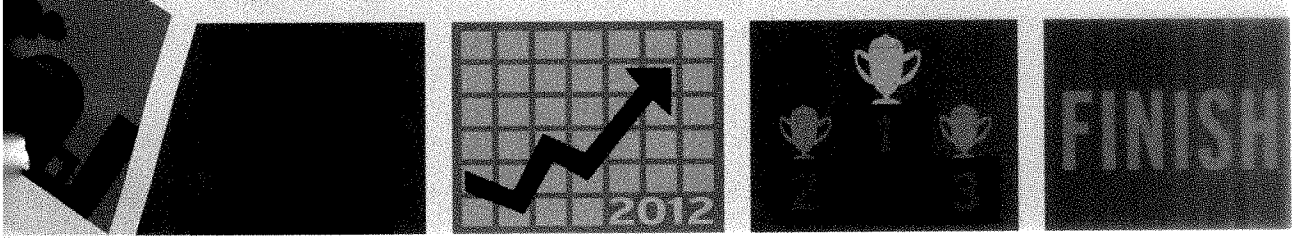


Leaving behind memories of sluggish 2011 sales, auto stocks have been surging, with Tata Motors and Maruti Suzuki leading the pack

The performance of the bellwethers, TCS and Infosys, has dragged down the IT index, but some other IT companies have done well

The continuing woes of the oil and gas sector are reflected in the performance of heavyweights, like IOC, ONGC and RIL





High Flier

Prince Alwaleed bin Talal of Saudi Arabia will soon own the most expensive private jet ever made. The A380 aircraft, built by Airbus, and costing over $500 million, includes two garages for the prince's Rolls-Royces, a stable for his horses and camels, a pen for his hawks, and a rotating prayer room where those offering prayers will always face Mecca.

Gas for a Snip

To improve its birth control record, Pali district administration made a unique offer: those who got themselves sterilised in the last three days of 2011/12 would get a free LPG connection. Sterilisation benefits in the district already include ₹1,100 for both sexes, a mobile phone for men, a sari and a blanket for women. Still, the LPG connection was a big draw: 1,500 people signed up to get sterilised.

Losing Shine

The Mahatma Gandhi National Rural Employment Guarantee Scheme is no longer the magnet it once was. Provisional figures released show that the number of households seeking jobs under the scheme fell by over 20 per cent in 2011/12 compared to 2010/11.

HOW THINGS WORK

Tsunami that Wasn't

The April 11 earthquake off the west coast of Sumatra, 8.6 on the Richter scale, sparked fears of a tsunami across the Indian Ocean. Fortunately, the fears proved groundless. More on the tsunami:

What It Is: A tsunami is the phenomenon of gigantic, tidal waves arising due to the displacement of a large volume of water. It is usually caused by earthquakes, volcanic eruptions or any other kind of massive disturbance occurring under the sea.

Recent instances: On December 26, 2004, an earthquake in the same region as the latest one triggered a series of tsunamis which hit the coasts of Indonesia, Thailand, Sri Lanka and India, killing more than 230,000 people and displacing over 1.7 million. In India, the Andaman and Nicobar islands, and Tamil Nadu were the worst affected, with over 18,000 people killed and 650,000 displaced.

On March 11, 2011, an earthquake of magnitude 9.0, hitting the east coast of Japan off Tohoku, set off a tsunami which killed over 20,000. It also led to meltdowns at three nuclear reactors at Japan's Fukushima Daiichi nuclear plant.

What happened this time: The quake occurred, not at the boundary of two tectonic plates on the earth's surface, but in the middle of one particular plate. As a result, the fault moved horizontally, instead of vertically, thus failing to trigger killer waves.

COMPILED BY BASUDHA DAS

Quest2Travel

Control and Manage Nationwide Employee Travel

Quest2travel.com is an IATA certified web based corporate travel management company that helps organisations manage their end-to-end nationwide employee travel in real-time in a transparent and secure manner.

By automating, centralizing, consolidating and streamlining all aspects of employee travel the system results in substantial savings on the total travel spend.

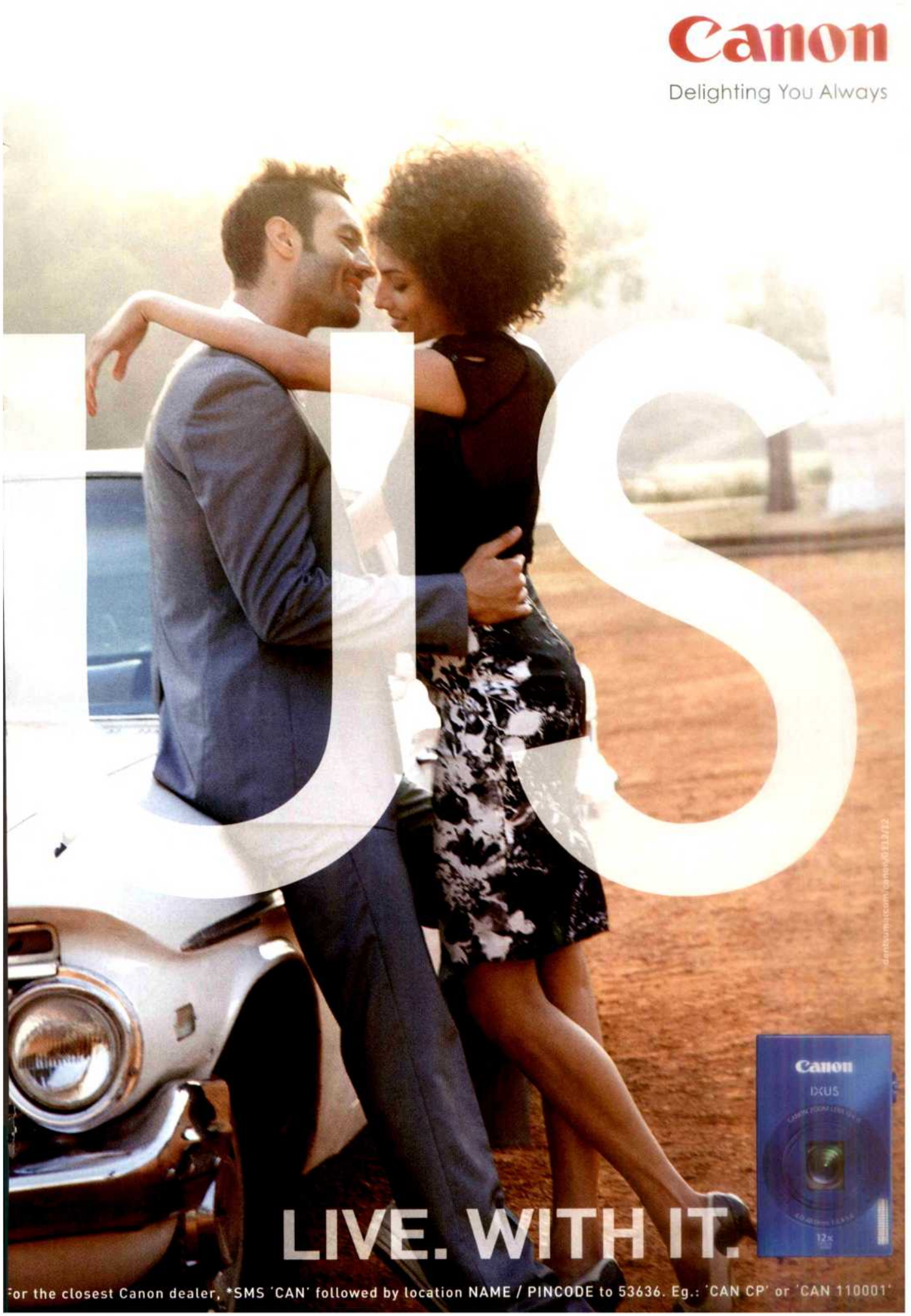
Key features:

- Manage nationwide employee travel in real-time
- Customized to ensure the enforcement of corporate travel policies
- No need to have multiple travel agencies across regions
- 24 Hour travel desk support via toll-free number
- Employees can book travel on-line or off-line (via phone)
- Complete tracking of information: Real-time Travel/MIS/Expense reports
- Setting up, implementation and enforcement of travel policy
- Setting up work-flow for travel requisitions, authorizations and approvals
- Domestic & International Air/Hotel/Car Bookings, Guest Houses, Indian Railways
- Travel documentation including assistance & fulfillment of Passport/Visa/Travel Insurance/Foreign Exchange
- Bookings at preferred negotiated rates from preferred vendors with auto-embedding of deal codes
- Expense Management
- Centralised periodic payment settlement via RTGS/Bank transfer
- Interface and data exchange with your ERP, HRMS and Financial accounting system
- 190+ corporate customers including entire Aditya Birla Group, Bharti Airtel, Eureka Forbes, HDFC Ergo, HDFC Life, IDBI Federal, RBI, Thermax, Times of India Group, Yes Bank etc. amongst others accessing from 5000+ locations.

Winner of the Innaugural Times Travel Honours Award for "Innovation for the good of the industry"

To find out what we can do for your business call 1800 209 2009
or write to enquiry@quest2travel.com or visit www.quest2travel.com

Canon
IXUS
Wifi enabled
so you can share the wealth
12x zoom
because you love detail
Wifi available only in select models. Accessories shown are not part of standard product offering. *SMS charges up to ₹3/SMS.


Canon
Delighting You Always
IS
Canon
IXUS
12x
LIVE. WITH IT.
For the closest Canon dealer, *SMS 'CAN' followed by location NAME / PINCODE to 53636. Eg.: 'CAN CP' or 'CAN 110001'

NOW, THE MISTRY BOYS

Ratan Tata has tweaked the Tata Group retirement policy to leave behind a clean slate for his successor, Cyrus Mistry.

By SUMAN LAYAK and G. SEETHARAMAN

The reign of Cyrus the Great, founder of Achaemenid Empire that extended from the Mediterranean Sea to the river Indus, lasted 29 years. Given that Tata Sons' recently altered retirement policy requires even the chairman to quit at 70, Cyrus Mistry, 43, Chairman-designate, gets only 26 years and a few months to find greatness. This is the time for Mistry to choose his generals, who will go the distance with him.

He has chosen the first one: Madhu Kannan, 38, currently CEO and Managing Director of the Bombay Stock Exchange, who will be joining as Group Head, Business Development, at Tata Sons. His job responsibilities will be the same as those of Alan Rosling, Executive Director at Tata Sons till March 31, 2009, who handled most of the Tata Group's recent acquisitions, including the high-profile auto firm, Jaguar Land Rover. In the coming months,

and especially after he takes over in January next year, Mistry will make many more key choices.

Equally significant, a number of key people on whom current Chairman Ratan Tata depends will retire. The biggest transition will be the departure of R.K. Krishna Kumar when he turns 75 in July 2013. Often called Ratan's right hand man, Krishna Kumar is a director at Tata Sons, as well as Chairman of Tata Group companies such as Infiniti Retail, Tata Realty and Tata Housing, and Vice Chairman of Indian Hotels and Tata Global Beverages. He is also a trustee on the Sir Dorabji Tata Trust and the Sir Ratan Tata Trust as well as some of the minor Tata trusts. The Tata trusts have a combined stake in the Tata Group of around 65 per cent. Again, he is promoter and director at RNT Associates Pvt Ltd, a company Ratan Tata personally owns, set up in 2009 as a consulting firm for international collaborations, mergers and acquisitions.

Krishna Kumar will be the last director to continue till 75. The group's retirement policy, changed last year, requires executive directors to retire at 65, and non-executive ones at 70. It will apply, for instance, to another crucial team member, Tata Sons Chief Financial Officer Ishaat Hussain. He is 64 and will be required to move into a non-executive role within a year. While a search is on for Hussain's replacement, Krishna Kumar's responsibilities are likely to be distributed, with no single person filling his shoes. So too, Tata Sons Executive Director Arunkumar Gandhi is 69, while directors Farrokh Kavarana and R. Gopalakrishnan are 68 and 66 respectively. All of them will have retired in another five years.

The same is true of Tata Industries, the other holding company of the Tata Group, as well as its investment arm. Three heavyweights on the board of Tata Industries are all 67 years old: Tata Steel Vice Chairman B. Muthuraman, Tata Consultancy Services' (TCS) Vice Chairman S. Ramadorai and Tata Motors Vice Chairman Ravi Kant. Indeed, by reducing the retirement age, Ratan Tata has ensured Mistry will start with a near-clean slate and will be free to build his own team at both places.

When Tata himself, then aged 52, took over as Tata Sons Chairman from the venerable J.R.D. Tata in 1991, he did not have this luxury. There were confrontations with senior Tata executives of the time such as Russi Mody, Ajit Kerkar and Darbari Seth. It is entirely likely that Ratan Tata does not want history to repeat itself.

"This is a good opportunity for the new leader to bring in the people he wants to work with, to bring fresh faces and new voices to the table," says Morgen Witzel, author of *Tata: The Evolution of a Corporate Brand*. "This is all part of the process of corporate evolution and change."

Once these eminences leave, who will take their place? Already a younger generation of leaders has

Youth to the Fore

The entry of **Madhu Kannan,** 38, into Tata Sons as Group Head, Business Development, signifies a generational change for the $83 billion Tata Group. Not since J.R.D. Tata, who became Chairman at 34 in 1938, has a person so young occupied so senior a position in the company.

Kannan is currently CEO and Managing Director at the Bombay Stock Exchange (BSE), where his term ends in May. He is the first lateral hire at Tata Sons after Cyrus Mistry was named Chairman Ratan Tata's successor in November last year.

Kannan will report directly to Mistry, who takes over in January 2013.

Mistry's immediate focus will be to build a strong second line of leadership, comprising people in their late 30s or early 40s. These professionals will take over from old guards as they retire. Kannan fits the bill. He has global experience, having worked with Bank of America, Merrill Lynch and the New York Stock Exchange before heading for India to take charge at BSE. "He is a thorough professional," says Uttam Bagri, a director on the BSE board.

Kannan's only interaction with the Tata Group so far was possibly through S. Ramadorai, Vice Chairman of software giant TCS, who is also non-executive chairman of BSE. "That association could have played a role in Kannan's selection," says a person who worked closely with him. Kannan refuses to comment.

KANNAN'S JOB WILL BE TO IDENTIFY NEW REGIONS GLOBALLY AND NEW BUSINESS SEGMENTS THAT COULD PROVIDE OPPORTUNITIES

As business development head, Kannan's job will be to identify new regions globally and new business segments that could provide opportunities.

An economics graduate from Birla Institute of Technology and Sciences, Pilani, and an MBA in Finance from the US, Kannan's performance at BSE drew mixed response. "He tried hard, but not much has changed at the exchange in terms of performance," says Anil M. Shah, a broker-director on the board of BSE.

ANAND ADHIKARI

taken charge at a number of Tata companies, and some of them may be elevated to the boards of Tata Sons and Tata Industries, as well as other key positions. There is, for instance, Koushik Chatterjee, 43, Chief Financial Officer, Tata Steel, whose name is being heard as a possible replacement for Hussain. Alternatively, there is talk that he may take over as Managing Director of Tata Steel, once the current Managing Director, Hemant M. Nerurkar, turns 65 in 2013. There are also Brotin Banerjee, 36, who heads Tata Housing Development Company, N. Chandrasekharan, 48, chief of TCS, Anil Sardana, 52, who runs Tata Power, Srinath Narasimhan, 49, in charge of Tata Teleservices, and R. Mukundan, 44, chief of Tata Chemicals.

Another person likely to rise is Noel Tata, Ratan's half brother and Mistry's brother-in-law. Noel, 54, who currently heads Tata International, was tipped to succeed Ratan, until the startling announcement about Mistry's prospective ascension came in November last year. But senior Tata officials maintain Noel has shown no signs of disappointment and indeed has been working with renewed energy. His latest venture is setting up a company in Africa, based in Cape Town, South Africa, which will set up or acquire hotels there. Noel has roped in Indian Hotels honcho Rajiv Gujral to head the venture.

So will these young guns soon take up larger roles? "That will depend entirely on these individuals and what they want to do, on the interplay of personalities as Mistry builds his top team, as well as on the strategic direction the group takes," says Witzel. "There are lots of imponderables." ◆

Send your comments to editor.bt@intoday.com

OUR DREAM IS TO BE WHEREVER YOU WANT TO BE

n the clouds. Overlooking the sea. In the heart of the city. At the edge of a park. You tell us where you want your dream home to be. Today, we're creating landmarks in 12 cities, developing 75 million square feet of real estate in prime locations across the length and breadth of India. It is our belief that your home or office should have an excellent design, superior construction, great amenities and large open spaces. Most importantly, it should be wherever you want to be. So, keep dreaming. We'll make your dreams come true.

SUSTAINABLE DEVELOPMENTS | PAN INDIA PRESENCE
RESIDENTIAL, COMMERCIAL AND TOWNSHIP PROJECTS

Godrej Properties has been voted the "Best Emerging National Developer" at the ZEE Business Awards 2011.

Call Toll Free: 1-800-258-2588

www.godrejproperties.com

imagine

Godrej | PROPERTIES

GOOD LUCK AT THE WORLD CHAMPIONSHIP!

May 1 – 6, 2012 at Fancourt Golf Course, South Africa

National Final Winners

TEAM – MCLEOD RUSSEL

Aditya Khaitan & Lakshman Singh

TAKE SOLUTIONS

TAKE Solutions has been a leading innovator in both Life Sciences and Supply Chain Management for over a decade, delivering flawless solutions in real time. Combining our high technical competencies with rich domain expertise, TAKE has produced superior and customized solutions consistently, in a cost effective manner for its customers. TAKE has been recognized as a leader by IDC's MarketScape Worldwide Life Sciences R&D IT Outsourcing for 2011.

www.takesolutions.com

THE WORLD CORPORATE GOLF CHALLENGE

The TAKE Solutions World Corporate Golf Challenge-India, is the official Indian qualifying tournament to select the Indian team for the World Corporate Golf Challenge World Final, which gives Indian Corporate teams a unique opportunity to represent their country.

www.takesolutionswcgc.com

National Final Partners

TAKE
Enabling Business Efficiencies

Official qualifier for the World Corporate Golf Challenge

WORLD CORPORATE GOLF CHALLENGE

amazing THAILAND
Always Amazes You
www.tourismthailand.org

lebua
HOTELS & RESORTS

Hole No. 2
Suwan Golf Club
Bangkok, Thailand

TAKE
Enabling Business Efficiencies

WORLD CORPORATE GOLF CHALLENGE

INDIA

Presented by

INDIAN TERRAIN

In Association with

SVL
SHRIRAM VENTURES LIMITED

Shriram Properties
BUILDING A WORLD OF TRUST

Co Sponsors

Emirates
Official Airline

Ballantine's
LEAVE AN IMPRESSION

Official Website

GolfCommune.com
India's 19th Hole

Media Partners

Golf Digest

ET NOW

mint

Promoted by

RN Golf Management
www.rishinaraingolf.com

FINANCING FOLLY

The second rung of India Inc is struggling with FCCB redemption.

By SUMAN LAYAK and RAJIV BHUVA

ILLUSTRATIONS BY SANTOSH

Akash Saraf, 32, Managing Director of cloud computing company Zenith Infotech, is caught between a rock and a hard place. Reason: the company missed its deadline last September to redeem $27 million (₹132.30 crore) in foreign currency convertible bonds (FCCB). The trustees for the bond-holders, Bank of New York Mellon (BNYM), accelerated repayment of $50 million on a second tranche of bonds that was due only in August 2012 and moved the Bombay High Court seeking to wind up Zenith Infotech. That has left Saraf, son of Zenith Computers founder Raj Saraf, with little room for manoeuvre.

The Sarafs sold Zenith Infotech's remote management services business to Boston-based Summit Partners six days after missing the payment deadline. The sale yielded around $54 million and Zenith was ready to redeem the first set of bonds. However, by that time the bondholders were demanding payment for both sets of bonds. Negotiations are on even as BNYM and the Sarafs fight multiple court cases. "We want to pay the holders of the first bond in full right now. We just got delayed. We are not asking for a haircut," says Saraf. A haircut here refers to a reduction in the value of the financial instrument.

A deal to re-negotiate the FCCBs with a lower conversion price is something that scares the Sarafs and threatens to hand over control of the company, valued at ₹598-crore by Ernst & Young, to the foreign funds.

The FCCBs have hit where it hurts the most. "It is much easier to deal with Indian banks. One can sit across the table and negotiate a restructuring," says Saraf, who started Zenith Infotech in his mid-twenties.

FCCBs are foreign currency-linked bonds, with tenures of five years or more, at the end of which subscribers convert their money into equity at a pre-fixed price. Usually, no interest is payable on conversion. However, in case the share price of the company is way below the conversion price, the bond holder can reclaim the money as if it were a loan with a pre-decided interest rate.

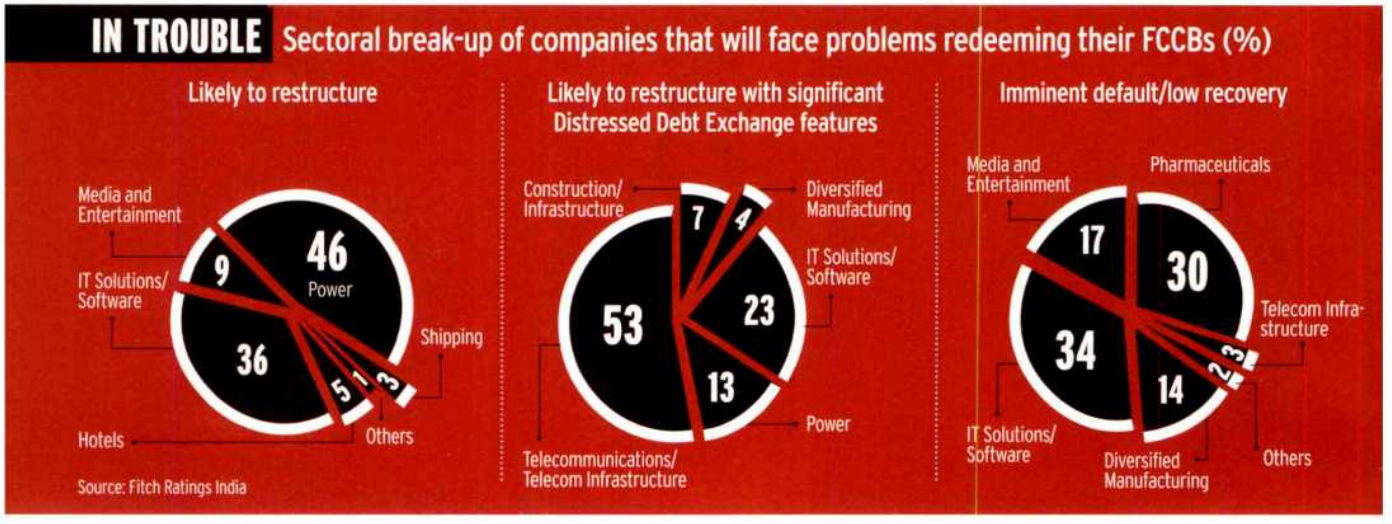
For instance, let us assume that company A decides to raise ₹1,000 through FCCBs in 2012. The FCCBs are subscribed by investors B and C, who each get one bond of ₹500. Company A's share price is ₹40 today. B and C are given the option to convert their bonds into ten shares at ₹50 per share in 2017. If the market price of the shares is at ₹50 or more in 2017, B and C will convert their bonds at ₹50 and make a profit. But if the share price on maturity is ₹20, then B and C will ask for the return of their money with, say, five per cent interest. So A will have to fork out ₹1,276.28 instead of issuing fresh shares.

Due to the conversion option, interest rates levied on redemption of FCCBs are half of what a normal loan costs.

With stock prices of many companies below their 2007 levels, this last scenario, repaying money instead of issuing shares, is a threat for some. Subex, Cranes Software, Strides Arcolab, GTL Infrastructure, Indowind Energy and Suzlon Energy are just a few names among the Indian mid-sized companies on the long list of FCCB borrowers facing headwinds.

The case of Wockhardt, where FCCB holders took the company to court after it defaulted in repaying its FCCBs, is certain to be playing on their minds. In 2009, the cash-strapped pharma firm had proposed to buy back its FCCBs at a 65 per cent discount to the conversion price. However, the court ordered that the FCCB investors be repaid in full. Wockhardt had to sell its hospital, nutrition and animal health divisions to generate cash to de-leverage its balance sheet. The company declined comment for this story.

"FCCBs are an accounting problem. The Institute of Chartered Accountants needs to reflect if these should be treated as debt or equity," says Shailendra Bhandari, Managing Director, ING Vysya Bank.



Currently, as FCCBs are treated as quasi-equity instruments, companies need not provide for their repayment. However, in a bad year, FCCBs are almost like a pure debt product. Avinash Gupta, leader of Deloitte's Financial Advisory Services in India, sums it up: "FCCBs work in bull markets. There are a number of cases globally where people have not been able to pay up their FCCB liabilities. When the business faces a downturn, it is a double whammy for the promoter."

In a report this February, Fitch Ratings India said that 59 Indian companies face FCCB redemptions amounting to $7 billion in 2012, of which 20 per cent is likely to see a default (see: *In Trouble*). "The risk of redemption of the FCCBs was never properly analysed," says Probir Rao, who heads investment banking in India, at Jefferies, a global dealmaker. Jefferies has helped many Indian companies raise money and restructure themselves.

Upcoming redemptions include Sterling Biotech, which has to repay $183.84 million by May 16; Pyramid Saimira, which has to repay $122.56 million by July 4; and KSL, which has to redeem $111.58 million by May 19. Late in January, Jefferies advised Bangalore-based Strides Arcolab in its $393-million deal to sell its generic pharmaceutical operations in Australia and Southeast Asia to US-based Watson Pharmaceuticals. Arun Kumar, Executive Vice Chairman and Group CEO, Strides Arcolab, says this is in line with its focus on sterile injectibles. However, a part of the proceeds was to be used to pay down $250 million in debt, of which $120 million were to be used for redemption of FCCBs due in June 2012.

FCCBs are an accounting problem. ICAI needs to reflect if these are to be treated as debt or equity.

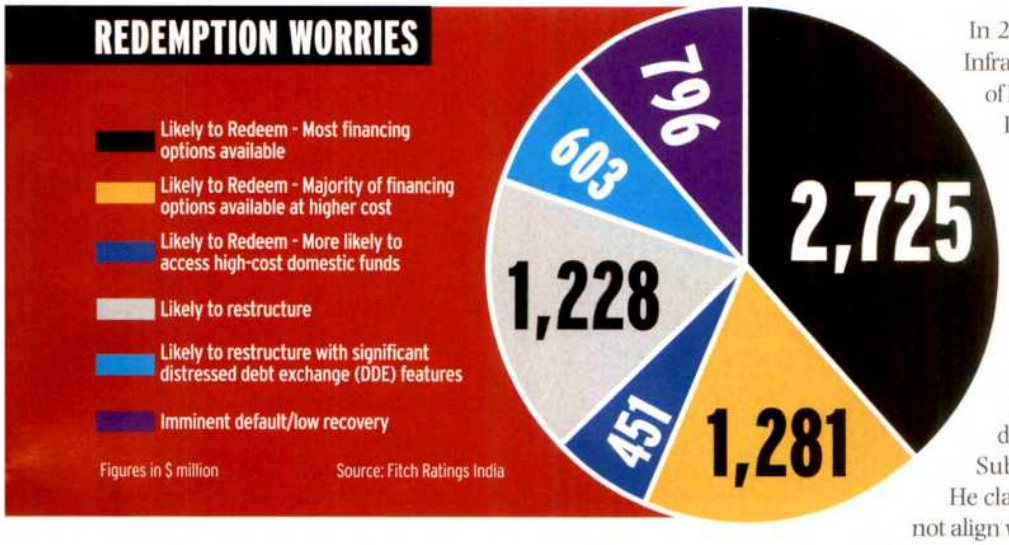
Shailendra Bhandari
MD, ING Vysya Bank

Rao says that while Strides Arcolab and Wockhardt had assets to sell and reduce their debt burden, not every company in distress may have that luxury. Take the case of Suzlon. When the wind-energy major acquired German wind power company RePower and Belgian company Hansen Transmission, oil prices were on an upward trend and alternate energy looked to be the way forward.

Suzlon had a debt-to-equity ratio of 2:1 on December 31, 2011. Its net debt on that date totalled ₹12,072 crore, nearly 19 per cent more than the ₹10,167 crore figure of a year earlier. Last year, Suzlon restructured its debt after investors forced it to set a new conversion price for its existing FCCBs. However, the company does not feel that the FCCBs landed it in a trap. "FCCBs are only one part of our overall structure. In combination with various other instruments, they have played a useful part in our financial planning and management," says a spokesperson for Suzlon, in an email response.

"Many Indian promoters who have grown rapidly continue to sign all the payment cheques themselves. They would do it at ₹100 crore turnover and continue to do it when sales touch ₹1,000 crore," says Prashant Agarwal, principal at Boston Consulting Group. "They should be spending more time on key decisions."

ING Vysya's Bhandari says that non-performing asset levels among his middle-rung borrowers crossed the five per cent mark for a while after 2008. These were entities with sales of more than ₹1,500 crore but below the blue-chip grade. "This segment gets over-banked.



In 2008, Hyderabad-based GMR Infrastructure bought 50 per cent of Dutch power generation firm InterGen for $1.1 billion. But two years later, when GMR was grappling with higher debt on its books, it divested its stake to China's Huaneng Group for $1.2 billion. Was this a strategic mistake? "We did not sell our stake in InterGen because we had to bring down our debt," says A. Subbarao, CFO of GMR Group. He claims that GMR's interests did not align with those of the other shareholder, Ontario Teachers' Pension Plan.

These are usually risk-taking entrepreneurs. They are targeted by larger banks as well as smaller banks. A lot of money is thrown at them and they sometimes do risky things like an acquisition or a derivative transaction."

Often, it is also bad advice that does the entrepreneur in. "Indian entrepreneurs are usually stuck with their first CFO, probably a CA, but one who did not have knowledge of global businesses, fund raising and managing acquisitions," says the head of corporate finance at a foreign bank that has filed a winding-up petition against a software company in India.

Over the last three years, Suzlon involved global financial advisor Rothschild to restructure its finances and brought in a new CFO, Robin Banerjee, in March 2009. Banerjee quit Suzlon in March. Kirti Vagadia, who for many years was the company's CFO, came back in his place. "These steps were part of our long-term strategic plan to strengthen our balance sheet and overall business," says the spokesperson. They helped Suzlon survive, but they have not solved its problems. Suzlon had to sell its holding in Hansen Holdings to bring its debt under control. And now, industry watchers believe it may sell RePower, something that Suzlon denies.

In fact, this has been a theme among some Indian entrepreneurs: overstretching, making an overseas acquisition, borrowing through FCCBs and then selling the acquisition to manage debt. It has largely been a trend among the second-rung of Indian corporations. Large Indian conglomerates have managed their finances and repayments much better.

It is much easier to deal with Indian banks. One can sit across the table and negotiate a restructuring.

Akash Saraf, CEO, Zenith Infotech

One aggrieved investor, a hedge fund with exposure in Zenith Infotech's FCCBs, says that Suzlon is at least making an effort to find a solution. He points at Chennai-based Indowind Energy, the newest addition to the list of defaulters. The company had raised $30 million through FCCBs in December 2007, which fall due in December this year. However, in December 2009, Indowind defaulted on an interest payment and has missed five more payments since then. "We have filed a winding-up petition there as well," says the hedge fund representative, on condition of anonymity.

For Indian promoters, domestic banks are the nice guys. "The leeway to look at another person's point of view is more in the case of public sector banks," admits Diwakar Gupta, MD and CFO, State Bank of India (SBI).

"Companies in India are often able to better manage their financing with Indian public sector banks," says Deloitte's Gupta. He cites a particular case. A company was in trouble with its debt and the banks advised it to go public. An initial public offering (IPO) followed and the same banks that were lenders subscribed to the equity issue. There were not many other takers for the shares. The money raised through the IPO amounted to almost 70 per cent of the loans and the IPO proceeds were used to pay back the loans to the banks. It was an effective conversion of debt into equity, without the stigma of default.

"In case a company has a foreign loan or foreign acquisition, consultants are called in. Otherwise banks often try and restructure loans themselves," adds

HOW ENTREPRENEURS LOSE THEIR WAY

Take huge bets on their own equity, ruling out a possible downturn

Manipulate PSU banks and their officers to delay repayment

Borrow abroad and then try to entangle the foreign borrower in Indian courts

Make foreign acquisitions without having people who know how to manage acquisitions and financing

the Deloitte consultant. A prime example of this is Kingfisher Airlines.

Indian banks are often ready to go through a corporate debt restructuring (CDR) exercise before seeking legal redress. "Compromises are one-offs and not on a template. There's always some subjectivity," says SBI's Gupta.

Corporate debt restructuring is a voluntary process. The assumption that CDR is a cover-up is not correct. The idea is to make the company stronger," says ING Vysya's Bhandari. He points out that 90 per cent of cases that went through the CDR route are alive.

"Any recovery is time-consuming. On average, a bank can take between one to three years to crystallise recovery," says Shanti Ekambaram, President of Wholesale Banking at Kotak Mahindra Bank.

The law permits banks to take legal recourse for recovery through debt recovery tribunals (DRT) and enforcing the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act. "But these are situational calls and to choose them or not is upon respective banks," says Ekambaram. SBI's Gupta feels a better legal system would be a big help.

The CDR mechanism aims to lower the debt burden on the borrowing company either by reducing the interest rate at which its pays or by extending the repayment period of loans or both. This helps the company improve its ability to meet its obligations and avoid becoming a defaulter. Interestingly, in Wockhardt's case, the term loan lenders' and bondholders' interests were in conflict. Led by ICICI Bank, domestic banks SBI, HDFC and Punjab National Bank had approved the CDR scheme without keeping FCCB holders in the loop. The FCCB holders moved court. ICICI Bank declined comment.

The common link between Wockhardt and Zenith Infotech is FCCB investor QVT. It is known for adopting activist positions in lesser known companies worldwide.

Unlike the period between 2006 and 2008, when hedge funds were bullish on equity, FCCB investors are far more circumspect today. Premiums are muted and investors are very keen on yields, says Rao of Jefferies. "The current pricing is more in sync with credit risk and India's sovereign rating," he says.

"The good old days are gone," says another FCCB investor who did not want to be identified. "The biggest change is that for an unsecured instrument we are asking for security wherever possible." Today, investors not only look at FCCB issuers' fundamentals but also at the credit risk. "In terms of new covenants, FCCB instruments now carry reset clauses for downward revision of conversion prices," adds Rao. They are beginning to look more like debt instruments. So, in the illustrative example earlier, the conversion price of Company A's FCCBs might be reset to ₹15 in a bad market, from ₹50.

Take the case of New Delhi-headquartered Amtek India. The company is a leading provider of cast iron automotive components and part of the $1.3-billion Amtek Group, which raised $130 million through FCCBs on March 19. These FCCBs carry a coupon of six per cent payable on a semi-annual basis. (Coupon, in financial parlance, is the interest rate stated on a bond when it is issued.) Upon maturity in 2017, after five years and a day, the bonds are convertible at the initial conversion price of ₹103.005 per equity share. Given that the weighted average stock price of Amtek India on March 19 was ₹98.9 per share, the conversion premium works out to a mere 4.15 per cent. Compared to the norm of almost a 40 per cent premium five years ago, this is very low, signifying how the instrument is changing.

And here's the tailpiece. SBI, the sweetheart for Indian companies, has filed a winding-up petition against Zenith Computers in the Bombay High Court for defaulting on FCCBs it had acquired from Credit Suisse. Clearly, SBI has learnt some survival tricks. For Indian companies in general, and the Sarafs in particular, that is equivalent to the financing world turning upside down. ◆

WITH INPUTS FROM G. SEETHARAMAN

Companies in India are able to manage their financing better with public sector banks, and manage the bank itself.

Avinash Gupta, Leader, Financial Advisory Services, Deloitte India

Send your comments to editor.bt@intoday.com

EXPAND YOUR BUSINESS TO THE NEXT LEVEL

EMPOWER YOUR BUSINESS STRATEGY WITH THE EXPERT ADVICE

Strategy

WE EMPOWER YOU TO DECIDE, FORMULATE AND MARKET YOUR BUSINESS PLAN

Our experience enables us to identify fundamental aspects of performance in relation to factors that influence a business entity.

- Strategic Planning
- Franchise Financial Business Planning
- Franchise Revenue Sources
- Franchise Structure Report
- Franchise Owner Profile
- Franchise Support Programs
- Internal Staffing

FRANCORP: THE EXPERT FRANCHISE CONSULTANTS

Ever since 1976, Chicago based Francorp has been at the forefront of franchising across the world. The finest franchise consultancy globally, Francorp International has developed 2,000+ programs and has worked with another 10,000 brands across all industry verticals, in assessing their franchising feasibility. In India, Francorp has joined hands with Franchise India, to enable 100+ reputed brands in strategic planning & selecting the right franchise opportunity.

Strategy | Legal | Operations | Marketing | Sales | Training

Francorp®
The Franchising Leader

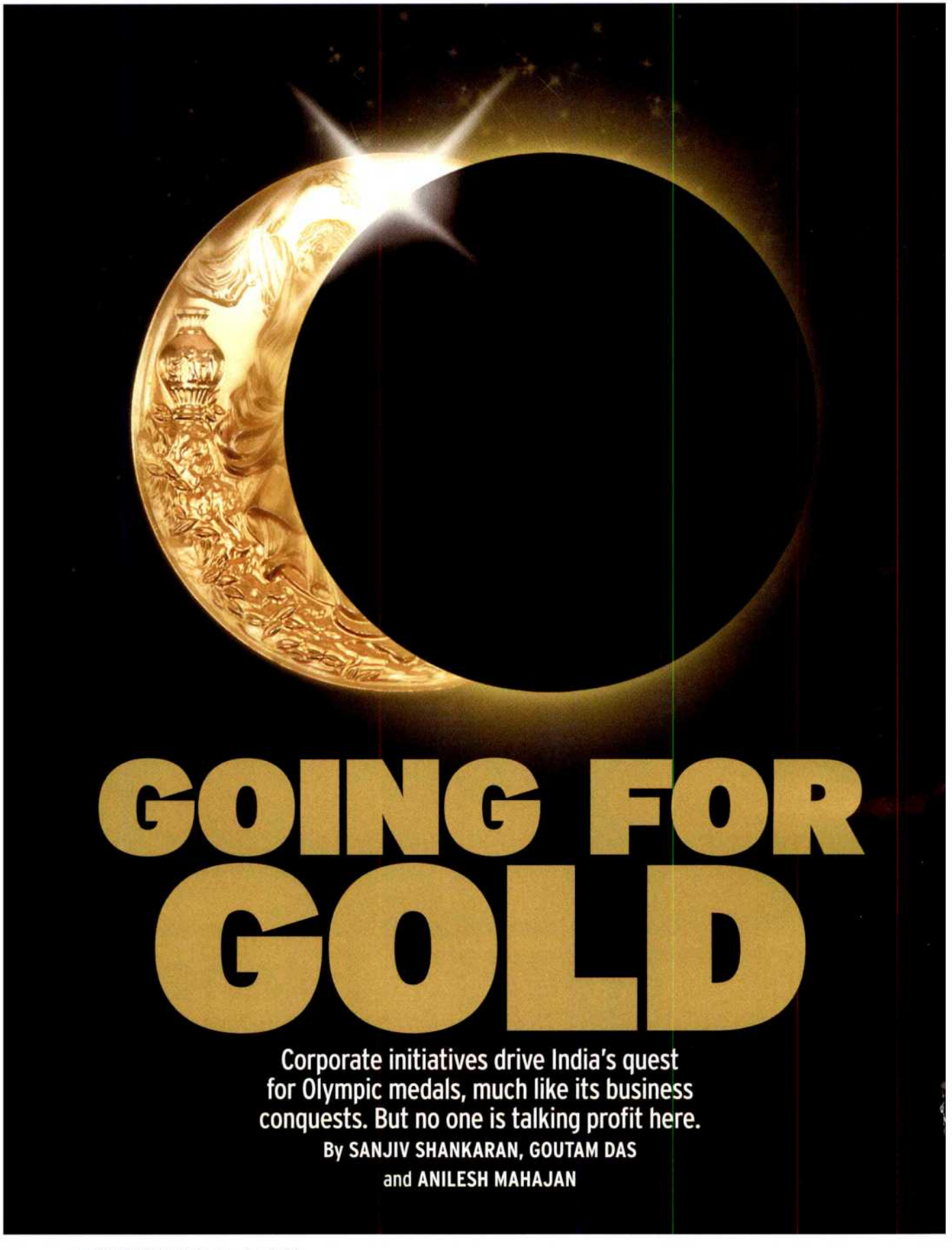
consulting@franchiseindia.com
www.francorp.in

+91 11 40665555
+91 9313331213

F-89/11, 1ST Floor, Okhla Phase-I,
New Delhi-110020, India

Our Clients:

VIDEOCON mobile services | THE BOMBAY STORE® | mom&me | MOKSH ZIP | AMERICAN EXPRESS | LAKMÉ | Ford | Nestlé | Safal | TVS | NAVNEET Knowledge is Wealth | HARVEST GOLD | Pidilite | Hallmark | xerox | ITC Limited | car2rent | IBM



GOING FOR GOLD

Corporate initiatives drive India's quest for Olympic medals, much like its business conquests. But no one is talking profit here.

By SANJIV SHANKARAN, GOUTAM DAS and ANILESH MAHAJAN

LESSONS FROM LONDON P58

Seven years ago, the fledgling Mittal Champions Trust (MCT) was presented with an opportunity to fund the training of a shooter named Abhinav Bindra. Bindra had taken part in the 10-m air rifle event the previous year at the Athens Olympic Games and come a cropper.

Understandably, Manisha Malhotra, MCT's Chief Executive Officer, was reluctant to bet on him. She also thought that shooters, many of them from affluent families, were already better funded than other athletes. However, Bindra's teammate Gagan Narang persuaded Malhotra to change her mind and MCT began to back Bindra. Three years later, he became – literally – one in a billion by winning India's first gold medal in an individual Olympic event in Beijing. "He is a special athlete," says Malhotra, who played tennis for India at the Sydney Olympics in 2000. MCT, entirely funded by Lakshmi Mittal, who runs the world's largest steel-maker ArcelorMittal, has spent about ₹3 crore so far on Bindra, and another ₹32 crore on a bunch of other athletes of which 13 will give Bindra company in London.

MCT, along with Olympic Gold Quest (OGQ) and GoSports Foundation, represents how far corporate patronage of athletes has come in India. None of the three exists to make profits. MCT and OGQ are run by former Olympians supported by a team of experts. All three depend on funding from companies and individuals, and operate within the parameters set by government-approved sports federations.

Among the three of them, they would have at least 25 wards in the Indian contingent at the London Olympics starting this July. The number could go up as the qualifiers for some disciplines like women's boxing are still underway.

"Sport has advanced so much. The difference between winning and losing is one per cent," says Viren Rasquinha, CEO of OGQ, a programme of the Foundation for Promotion of Sports and Games, the brainchild of former All England champion Prakash Padukone and former world billiards

ILLUSTRATION BY SANTOSH

JOINT FAMILY APPROACH

Investment in a potential medal prospect in the Olympic disciplines largely comes from the family and yields low-economic returns

	Monthly Cost (₹)	Training Life Cycle	Primary Financial Support During Training	Employment Opportunities
SWIMMING	1,000-5,000 a month. Travel for an international event can cost up to 1.5 lakh	6 years	Family and friends	Government jobs
TENNIS	One lakh if the player is confined to the domestic circuit and up to two lakh if playing the international junior circuit	8 years	Family and friends	Professional tennis players can make a living from the game. Also, the tennis ecosystem in India has begun to take off, giving rise to increasing job opportunities
BOXING	20,000-37,500 (additional one-time cost of up to 20,000 on equipment)	8-10 years	Family and friends. Young boxers selected by Sports Authority's talent spotters can save up to ₹8,000 on monthly cost	Police, Railways and paramilitary forces
WRESTLING	7,000-8,000 (primarily on nutrition)	10 years	Family and friends	Railways and paramilitary forces. Some young wrestlers from villages go back to farming if they fail to land a regular job

Note: Investment represents an average and has been compiled by inputs from coaches in different disciplines. The calculation ignores windfalls in the event an athlete wins a medal at the Olympics or Asian Games.

champion Geet Sethi. In his words, OGQ focuses on "everything at the backend, which bridges the gap between India's best and the world's best". Some of this bridging is done by giving athletes international exposure and the best of coaching, which these foundations, with their corporate mindset, are good at arranging.

Getting Smart

In theory, Rasquinha, his lean frame betraying his recent past as the captain of India's hockey team and his articulation a reminder of his more recent qualification as an MBA from the Hyderabad-based Indian School of Business, represents an ideal candidate to run an Olympic medal hunt. In practice, he symbolises structured thinking.

OGQ and the other two foundations are convinced that the way to improve India's medal tally is through smart intervention. Both MCT and OGQ evaluate athletes against benchmarks set by their experts. Some athletes are gradually eased out of the programme if they do not measure up. Smart intervention also shows up in hiring a coach from the UK for boxer Mangte Chungneijang Mary Kom and in giving 11-year-old Lakshya Sen global exposure.

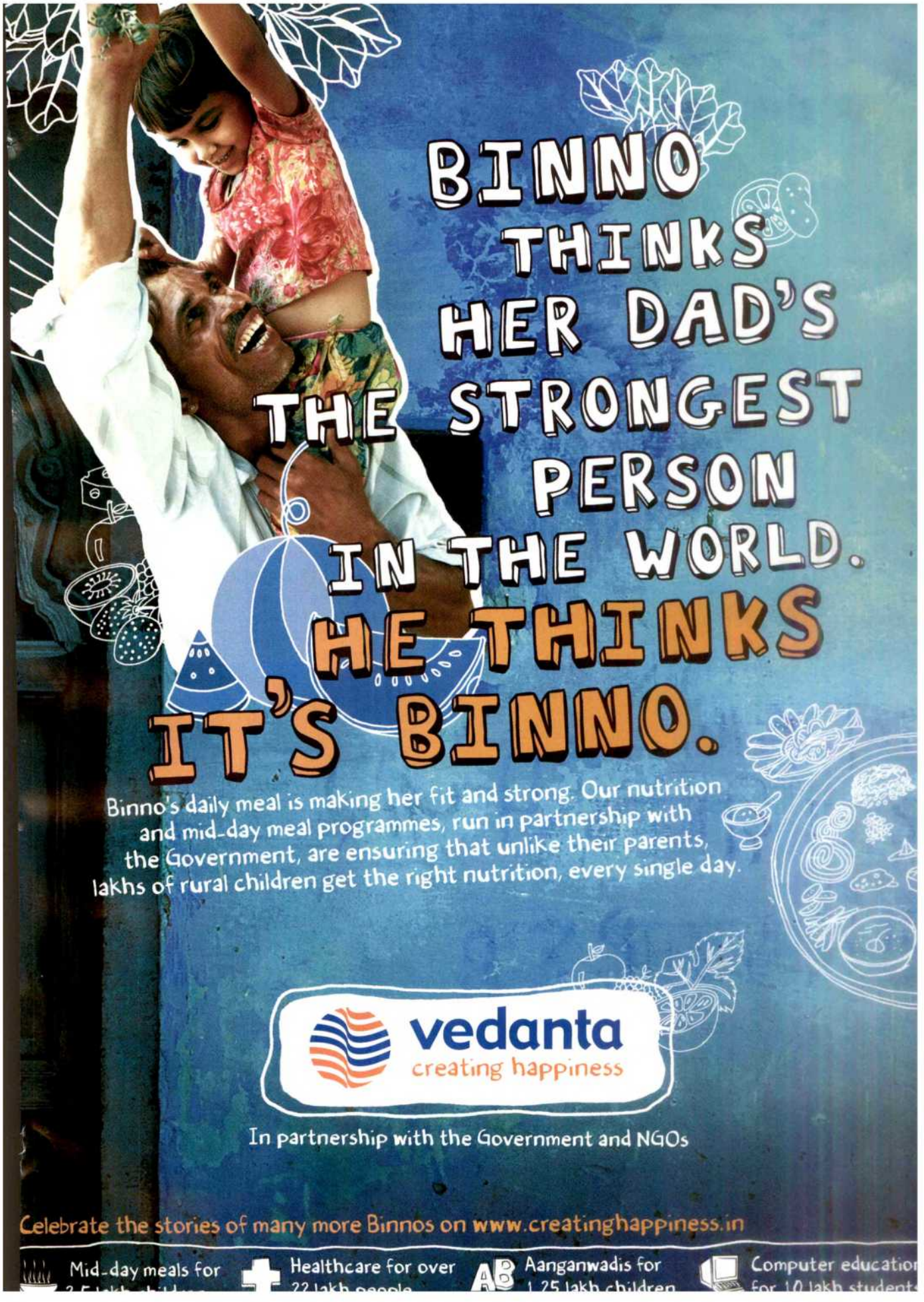
Sen, a badminton player whom Padukone has taken under his wings and describes as "exceptional talent", is being sent abroad to compete in tournaments. Waiting a few

MODELS OF PRIVATE INVESTMENT

SPONSORS
Companies such as Monnet Ispat and Sahara India group support disciplines such as boxing and volleyball through foundations

NOT-FOR-PROFIT FOUNDATIONS
Mittal Champions Trust, Olympic Gold Quest and GoSport reimburse training and other expenses of athletes

DIRECT GRASSROOTS INVESTMENT
Companies like Tata Steel run academies that spot, train and nurture talent. Tata Archery Academy has created a pool of archers


BINNO THINKS HER DAD'S THE STRONGEST PERSON IN THE WORLD.
HE THINKS IT'S BINNO.
Binno's daily meal is making her fit and strong. Our nutrition and mid-day meal programmes, run in partnership with the Government, are ensuring that unlike their parents, lakhs of rural children get the right nutrition, every single day.
vedanta
creating happiness
In partnership with the Government and NGOs
Celebrate the stories of many more Binnos on www.creatinghappiness.in
Mid-day meals for
Healthcare for over
Aanganwadis for
Computer education

"WE TRY TO BRIDGE THE GAP"

It takes just six grams of Gold to lift the worth of a nation," says a tag line on the website of Olympic Gold Quest. This programme of the Foundation for Promotion of Sports and Games, founded by former champions Geet Sethi and Prakash Padukone, has been providing crucial financial support to Olympic hopefuls for the London Games and beyond. Padukone, former All England Badminton Champion and World No. 1, spoke to **Goutam Das**, at his eponymous badminton academy in Bangalore, where every day he trains young talent. Edited excerpts:

Catch them young: Coach Prakash Padukone with Lakshya Sen

ON OLYMPIC GOLD QUEST We are trying to identify people who have a chance of winning in the Olympics. We have identified six disciplines, where we feel India has a chance of winning medals: shooting, boxing, wrestling, badminton, athletics and archery. The government is doing a lot now, especially in the last three years. While major expenses are taken care of by the Sports ministry, we try to bridge the gap. We allocate funds and the sportspersons themselves decide on how the funds have to be utilised. We don't interfere directly in coaching. We enable them.

ON UTILISATION OF FUNDS Some of the badminton players — the younger ones — don't get to play international tournaments. We have sponsored P.V. Sindhu for six tournaments in the last eight months. She has been able to improve her rankings now. She is only 16 and we are preparing her for the 2016 Games. For Mary Kom, we got a personal coach from the UK to train her. Vikas Gowda, a discus thrower, is training in the US. Lakshya Sen is training in badminton for the 2020 Olympics. We are sending him for international tournaments. This is the first time in Indian sports (other than chess) where an 11-year-old boy has been identified and sent to international tournaments. That is mainly because the funds are available now.

ON FUND RAISING The earlier plan was to raise something like ₹100-200 crore, make a corpus, and then use only the interest part. We have not been able to do that. We are spending whatever funds we raise. People **donate** starting from ₹5 lakh to ₹20-25 lakh. They also give us monthly donations. We want to make it into a mass movement, maybe get one million people to contribute ₹100 each.

more years before exposing him to international competition would, says Padukone, only mean lost opportunities.

Mary Kom, daughter of a subsistence farmer from Manipur, is India's top woman boxer and one of its brightest hopes for a medal in London. Some time ago, she realised that her body weight, at 46 kg, had to be increased. The organisers in London had done away with her usual weight category of 45-48 kg and she would have to compete in the 48-51 kg bracket. Now, ideally, a boxer's weight should nudge the upper limit of her category. But *increasing the weight from 46 to 50 or 51 would affect body balance. So Kom needed expert coaching, which could only be sourced from overseas.*

OGQ, which supports Kom's training and preparation, identified Briton Charles Atkinson for her. "It was OGQ which helped arrange a foreign coach to come and train me," says Kom, though the bill is now being paid by the government. Here is an instance of a top medal prospect and a responsive government being complemented by a private foundation. "With elite athletes, you need right support at the right time," says Rasquinha of OGQ.

The precision in OGQ's plans helped draw Vidya Shah's interest. Shah is the executive director and head of EdelGive Foundation, the philanthropy arm of financial services group Edelweiss. EdelGive supports three athletes picked by OGQ's talent spotters, of whom Mary Kom is one. *"The evaluation process was robust," says Shah, a former investment banker with N.M. Rothschild,* explaining why her foundation chose to go with OGQ. "Their method was transparent and documented."

Love and Pride

For the sake of national pride, governments feel obligated to support sportspersons, especially in the hope of making a splash at the Olympics. But what makes companies and individuals spend money on athletes, when there are limited or no returns on the investment?

"It is just a feeling that India should win gold medals," says Mumbai-based *Ashish Kacholia, a proprietary investor in equity markets, who has given OGQ ₹11 lakh a year for each of the last four years.* Regardless of how the equity market performs, Kacholia says he will continue the funding at the same rate for another four years. OGQ, over the last four years, has spent ₹8 to ₹10 crore on its programmes.

GoSports, started in 2008 by Harvard-educated law practitioner Nandan Kamath, spends about ₹75

lakh a year and concentrates on young athletes.

In comparison, the sports ministry has spent about ₹34 crore over the last year on just two disciplines, hockey and boxing, to prepare their practitioners for London (See *Opex London*, Pg 49). The ministry's annual budget is ₹722 crore, which includes administrative costs and many programmes of talent spotting and training.

None of the foundations plans to supplant what the government does; that is inconceivable. "No private organisation has the reach the government has," says Malhotra. It is smart spending at the margins that can make the difference, which is what the foundations do. Says Kancholia: "In India, a little money goes a long way."

With time, there may be more than a little money in there. Compared to China, the size of the sports market in India – media rights, merchandising and other revenue sources – is relatively large. According to a PricewaterhouseCoopers study, 'Global Sports Outlook to 2015,' the size of the Indian sports market in 2012 will be *$1.53* billion as compared to China's *$2.7* billion, though China's economy is nearly four times bigger.

London calling

According to Padukone, the effort and money spent in the last three years on preparing for London would be three times what was spent on Beijing. "India should get six to eight medals in London," he says. Anything less would not match the efforts. That sounds ambitious, considering the country's tally of seven individual medals so far, which began with K.D. Jadhav's wrestling bronze in 1952.

But history matters little in such cases. ***China got its first Olympic medal long after India did, at Los Angeles in 1984,*** which was boycotted by the erstwhile USSR and its allies. Since then, China has managed 384 more, and topped the table at Beijing with a neat 100 medals.

It is no surprise that China, which has taken forward the USSR's legacy of single-minded, state-sponsored pursuit of Olympic medals, is the envy of every Indian athlete and coach. Chinese government outfits identify talent at an early age and nurture it. This system, according to Rasquinha, ensures that "the base of the pyramid is very broad". A bigger pool increases the likelihood of producing first-rate athletes.

For instance, China has about a dozen women who strike a badminton shuttle about as well as Saina Nehwal, India's best woman shuttler ever and one of the brightest medal prospects in London. In tourna-

THE BADMINTON EXPENSE CYCLE

What it takes to produce an international champion

- Shuttlecock: **₹60** each; three for each match
- Private coaching could cost **₹2,000** a month

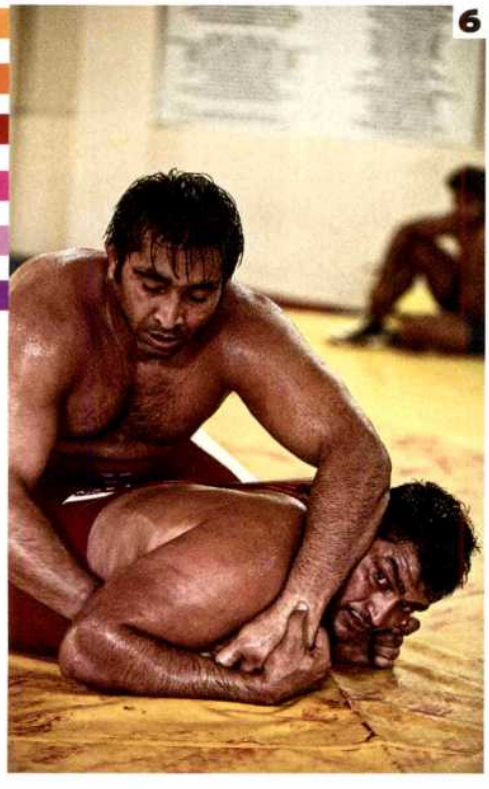
- Coaching, shuttle, local travel: **₹10,000** a month
- Plays 6-8 national level tournaments year. Travel and hotel expenses could total **₹5,000** per national-level tournament

- Coaching, shuttle, transport: **₹15,000** a month
- Plays six international tournaments a year Estimated travel expense: **₹300,000**

- Coaching, shuttle, transport: **₹15,000** a month
- Plays 15 international tournaments Estimated travel expense: **₹750,000**

* Assuming there is no government or foundation support and based on inputs from coaches

DEEPAK G PAWAR



PHOTOGRAPHS BY VIVAN MEHRA

Sweating it out: 1. Supriya Mandal at a practice session in Bangalore; **2.** Ace shooter Gagan Narang at in Delhi **4-6.** Boxer Jai Bhagwan, Weightlifter Ravi Kumar, Athlete Maha Singh respectively at the National

ments across the world, Nehwal finds herself battling Chinese women at key stages. All of them have come through a government-supported system and infrastructure.

On the other hand, Nehwal's early years are a poignant story of her going to practice at 4 a.m. on her father's scooter and the family shifting base from Haryana to Hyderabad so the daughter could benefit from the badminton infrastructure there.

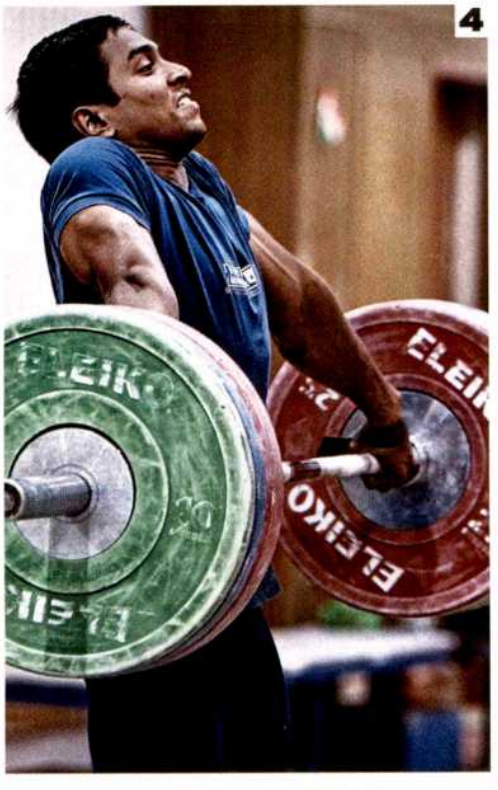
Europe and the US provide the entire population with easy access to quality infrastructure. At later stages, as some athletes show the potential to turn professional, a market-driven system takes over.

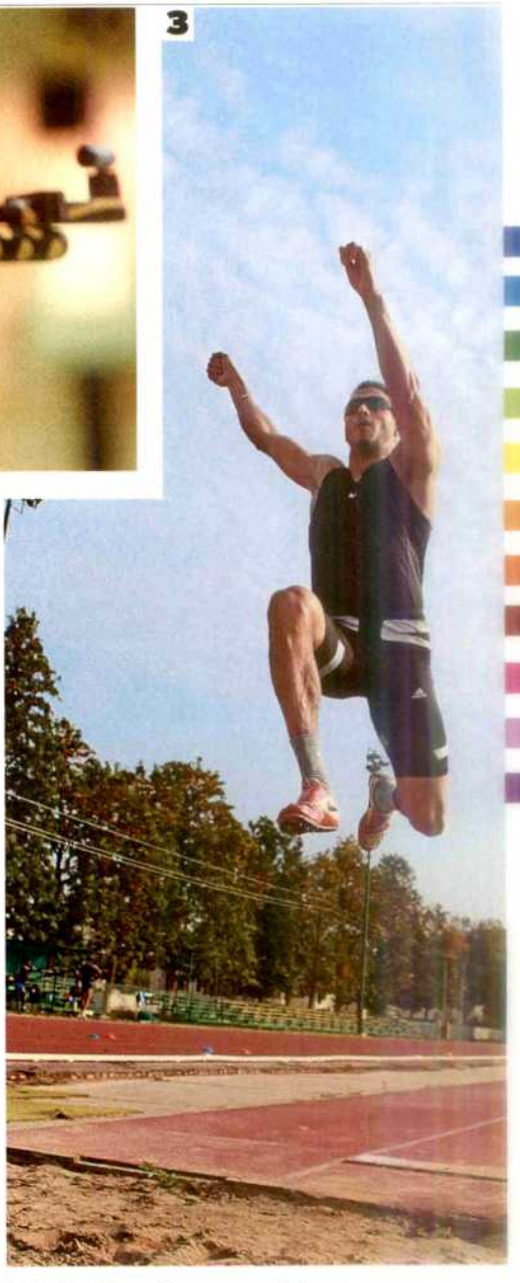
India is neither here nor there. Malhotra of MCT puts it bluntly: "The bottom line is that we need more athletes." For that more people should be able to access basic sports infrastructure. But, according to Padukone, *Indian sports infrastructure has to increase 500 times* to give everyone access.

Not that the large population, comparable with China's, results in a large base of the pyramid like China's. The lack of a well-organised state-sponsored system puts paid to that dream.

Against All Odds

Bindra's path to gold at Beijing was charted entirely by





Dr Karni Singh Shooting Range; **3.** Wrestler Rajiv Tomar (on top) at the Guru Hanuman *akhara* Institute of Sports, Patiala

him, his father's belief in him, and the little privileges enjoyed by the family. His 252-page autobiography, *A Shot at History*, released at the end of October 2011, elucidates the lengths to which he went to win that gold: from drinking Yak milk from China to increase concentration, which it did not, to adding rubber from Ferrari tyres to the soles of his shoes, to pre-dawn practice at the shooting range constructed in his backyard in Chandigarh and anytime use of the well-equipped home gym.

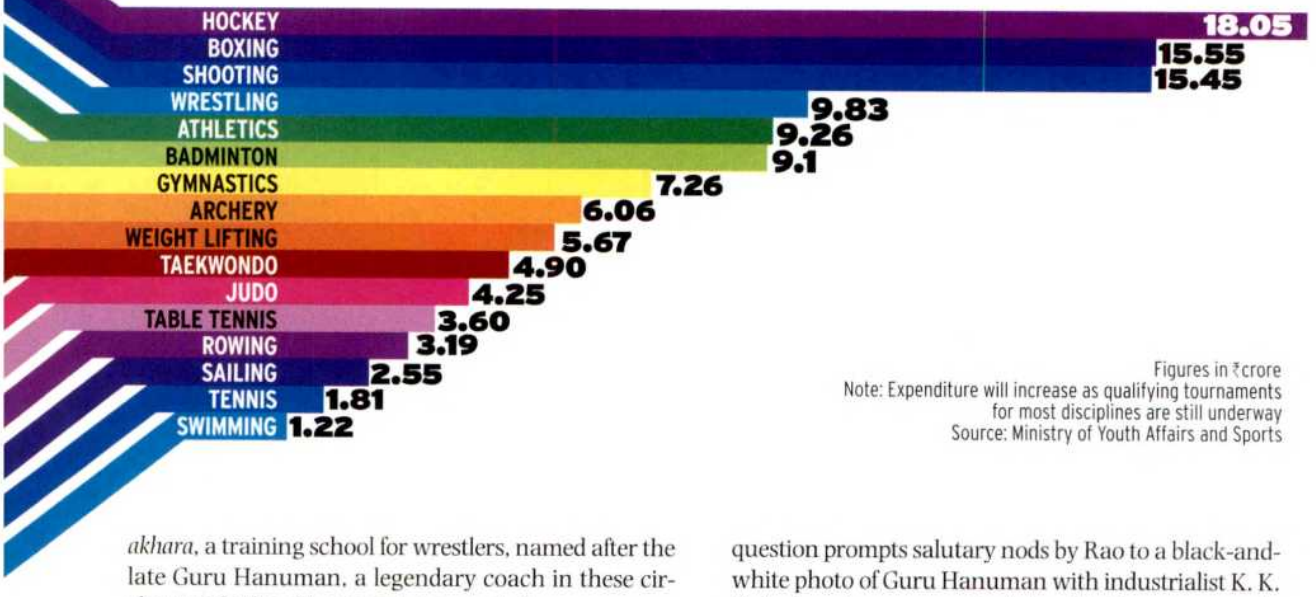
The government could not have played a role in any of this, but its functionaries could have avoided sending Bindra a pair of shoes at Beijing in which the left was a size 11 and the right a size eight. A senior official of the National Rifle Association of India, when asked in March about Bindra's whereabouts, said vaguely that he might be somewhere in the UK.

For a country with the fewest gold medals per capita, you would expect India's sports officials to be less detached with shooters. Other than the only gold, shooting got us a silver at Athens, by Rajyavardhan Singh Rathore in double trap shooting. ***The only other sport to have got us two Olympic medals is wrestling, where the situation is no better.***

Far away from the Bindra home in Chandigarh, on the margins of Roshanara Park in north Delhi, is an

OPEX LONDON: FOCUS, THE NEW MANTRA

Government loosens purse strings to give India the edge in 16 handpicked disciplines with richest medal potential at the London Olympics



Figures in ₹crore
Note: Expenditure will increase as qualifying tournaments for most disciplines are still underway
Source: Ministry of Youth Affairs and Sports

akhara, a training school for wrestlers, named after the late Guru Hanuman, a legendary coach in these circles. Inside the *akhara*, next to a mud pit, young wrestlers clad in loin cloth are doing pushups and sit-ups. A few are climbing a rope slung around the highest branch of a tree. Alongside young wrestlers, Rajiv Tomar is preparing for his qualifying bouts for London. Tomar, 30, who wrestles in the freestyle 120-kg category, has lived in the *akhara* the last 20 years. A young wrestler touches Tomar's feet before beginning his practice.

Watching them closely is Maha Singh Rao, a coach employed by the Sports Authority of India (SAI). After the practice bout, the wrestlers wander away for a break. The younger ones among them begin crushing almonds and start preparing a meal.

Rao shares a room with Tomar in the *akhara*, which houses 60 other wrestlers. Wrestling demands the discipline of a monastery. The boys begin living in *akharas* by age 11 and lead a monkish life for a decade or so as they train – with no television, no newspaper, no movies and no girlfriends. After that, once outside the protective canopy of the *akhara*, things become uncertain.

Rao says the best wrestlers manage to land jobs in the Railways or paramilitary forces after about 10 years of training. *The rest have no option but to drift away in search of livelihood, with no skill except the ability to pin an opponent down.*

But how does the *akhara* make ends meet? The question prompts salutary nods by Rao to a black-and-white photo of Guru Hanuman with industrialist K. K. Birla, hanging on a wall with white limestone wash. Rao says the *akhara* has managed to keep body and soul together thanks to the generosity of Birla, whose empire spanned textiles, chemicals and newspapers. He says the *akhara* land is owned by a Birla textile company and to this day the company meets some of its running cost. The *akhara* is also affiliated to the SAI, which piggybacks on a longstanding tradition of private patronage.

The Tata Group, for instance, has a history of nurturing sports. Tata Steel has a close association with football and archery. Some of the archers who have qualified for London are from the Tata Academy. According to the minutes of a meeting on archers at the sports ministry's website, "Tata" paid for international exposure to its archers. Tata Sons, the group's holding company, along with Tata Capital, the finance arm, funds Padukone's eponymous badminton academy in Bangalore.

The coming together of Tata and Padukone symbolises the changing relationship that companies have with individual sports. Increasingly, it is less about the patronage of a *shaukeen* benefactor, as Rao describes Birla, and more about a focused strategy to get those medals. ◆

ADDITIONAL REPORTING BY YAMBEM LABA

Send your comments to editor.bt@intoday.com

HELP BRAZIL REDUCE ITS OVERALL RELIANCE ON FOREIGN IMPORTS WITH THE LAUNCH OF THE COUNTRY'S LARGEST PETROCHEMICAL OPERATION.

IT'S NEVER BEEN DONE BEFORE

Get the full story at
Emerson.com/Petrobras

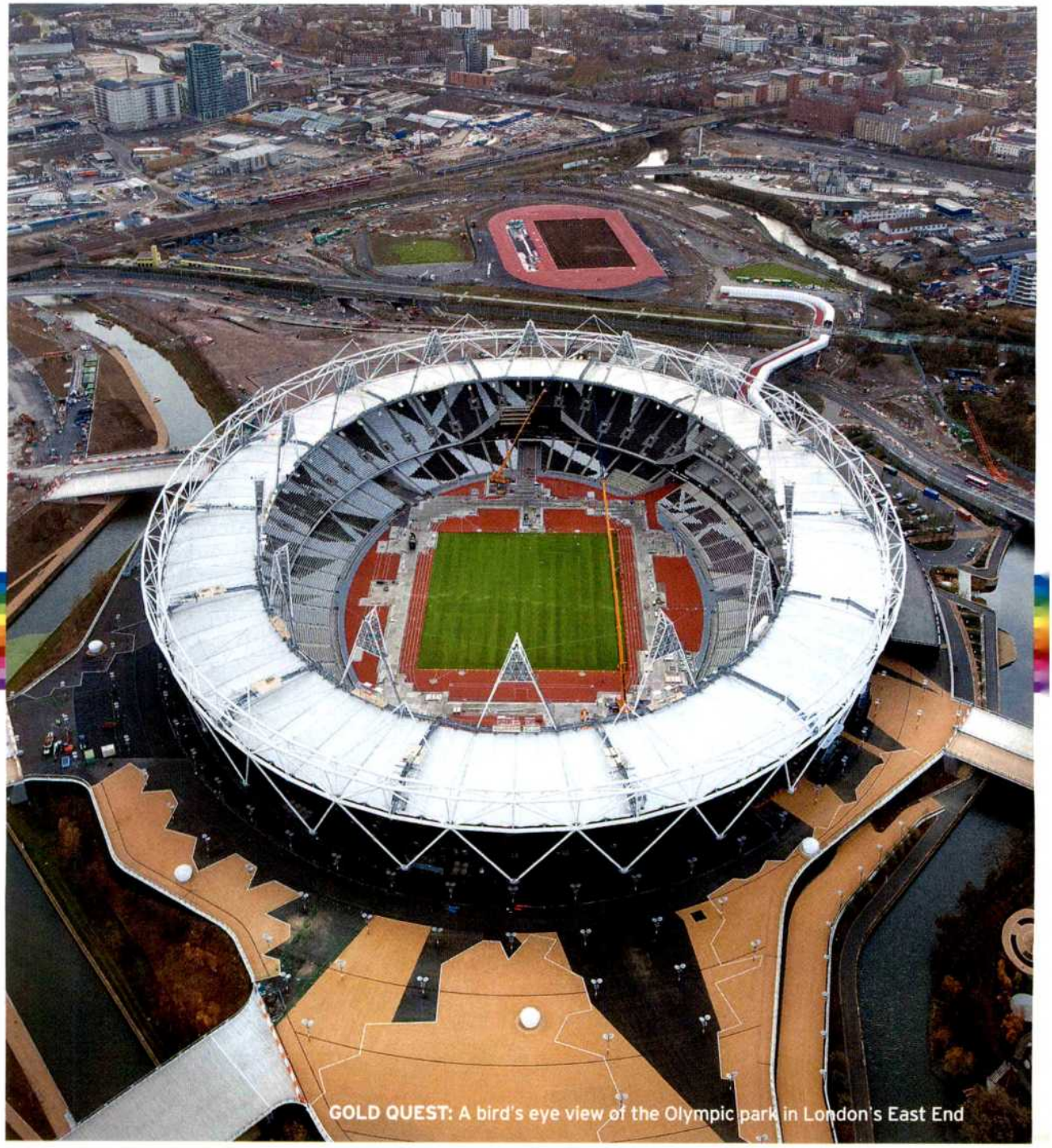
EMERSON™

The Emerson logo is a trademark and a service mark of Emerson Electric Co. © 2012 Emerson Electric Co.

CONSIDER IT SOLVED™

BEYOND THE

Britain's obsession with creating a lasting legacy for the London Olympics



GOLD QUEST: A bird's eye view of the Olympic park in London's East End

FINISH LINE

holds valuable lessons for India and other aspiring host nations. By N. MADHAVAN

The 1976 Montreal Olympics are best known for Nadia Comaneci's 'perfect 10' scores in seven gymnastics events. No female gymnast before her had scored the maximum even once at the Olympics. What is less known is that it took Montreal 30 years to repay the debts incurred hosting the Games. The Olympic stadium, initially called 'The Big O' because of its name and doughnut shape, came to be known as 'The Big Owe' because of the debt associated with it. Montreal is not alone in carrying a financial burden after the games; *21 of the 22 venues built for the Sydney Olympics are lying unused.* A year after the 2004 Athens Olympics, the Greek government had to spend $124 million to maintain the idle facilities.

These are just the sort of disasters the organisers of the 2012 London Olympics hope to avoid. Rather than a series of white elephants, the organisers want the Games to have a lasting legacy. For starters, they hope the event will transform London's East End, a neglected area notorious for its poverty and crime since the days of the Industrial Revolution. The organisers also want to use the Games to help British companies go global as well as to attract more foreign investment into the UK.

The United Kingdom's bidding team for the 2012 Olympics highlighted these objectives in a presentation to the International Olympic Committee (IOC) at Singapore's Raffles City Convention Centre on July 6, 2005. The IOC members were impressed and London edged out rival bids from Paris, New York, Madrid and Moscow.

This will be the third time the city is hosting the games – it was also the venue for the 1908 and 1948 Olympics. No other city has had that distinction.

"The difference in our approach was that we looked at what will be left behind in London when the torch goes out," explains Sir Alan Collins, Managing Director of the Olympic Legacy Programme, UK Trade & Investment (UKTI). As the British High Commissioner to Singapore in 2005, he was involved in the bid strategy.

By building the idea of a legacy into the planning process, the UK government has been able to approach the games very differently.

That approach led to the Olympic Park being located in London's East End. The £6.77 billion that will be invested in construction, infrastructure and transportation for the Games will bring about a rapid regeneration of the borough, transforming it into one of the largest urban parks created in Europe in the last 150 years.

British Prime Minister David Cameron has boasted that 75 pennies of every pound spent on the Olympic Park will go into renewing the East End. The 246-hectare park will have 8.35 km of well-dredged waterways, with potential for a variety of leisure activities. And from being poorly connected, the East End will become among the best connected parts of the capital with huge sums being spent to modernise the area's transport systems. The area also has a new landmark today in the 114-metre Orbit, the UK's tallest sculpture, built by ArcelorMittal.

The Olympic village, which will accommodate 23,000 athletes and officials during the Games, will have 2,818 new homes for Londoners. In addition, five new neighbourhoods are coming up around the park, creating 11,000 more flats and townhouses along with modern healthcare, education and community facilities.

The media centre, which will host 20,000 journalists, will become a 900,000 square foot business centre.

10,500	26	34	8.8 MN	302
ATHLETES	SPORTS	VENUES	TICKETS	MEDAL EVENTS

"For the first time in Olympic history, the venues have been designed as much around what happens after the games as during the event," says Sir Alan. Only those facilities deemed necessary for the area were created permanently. Even the main stadium, aquatics centre and velodrome have been designed in a manner that will allow for their capacity to be reduced and used more effectively after the Games.

The basketball complex will be dismantled after the Games

A permanent facility for basketball was found unnecessary so the organisers put up a temporary one, among the largest ever built. It has a seating capacity of 12,000, and uses 1,000 tonnes of steel wrapped in 20,000 square metres of polyvinyl chloride. After the games it will be dismantled and used elsewhere. In fact, talks are on with the Brazilian government to sell some structures to it for the 2016 Olympic Games.

The government is expecting the Games to give the UK's stalling economy the boost it so badly needs. After all, the Olympics in Barcelona and Sydney boosted Spain's and Australia's GDP growth by 2.9 and 2.1 percentage points, respectively. International visitors are expected to spend £619 million during the three-week period. According to Visa Europe, one of the sponsors, the Games will deliver a sustained economic stimulus worth £5.1 billion by 2015. But economists are divided; many say the boost will be limited and will end when visitors move out.

The Games offer a good business networking opportunity for the UK with sponsors, corporates and other host cities. So, on July 26th, the eve of the Games, the government will host an investment conference chaired by Prime Minister Cameron in London with over 200 global and financial leaders. UKTI has set up a British Business Embassy at Lancaster House in London. Over 3,500 meetings between British companies and potential overseas buyers/investors have been initiated by the embassy.

The UK is also trying to use the Olympic project to create business opportunities for local companies in other countries. Nearly 98 per cent of the Olympic park and other projects was handled by UK-based companies.

"We need to ensure that the companies that built the Olympic Park go on to bigger things in future," says Jeremy Hunt, Secretary of State for Culture, Olympics, Media and Sport. UKTI has set up a programme to share best practices with future host cities of major sporting events, including the 2014 Winter Olympics in Sochi, Russia and 2016 Olympics in Rio de Janeiro, Brazil. The business potential from various major games in the next 10 years is as much as $1.5 trillion, says Sir Alan.

The government's approach has its critics too. The original public spending for the Games was pegged at £3 billion. The 2008 financial crisis saw the private sector deserting the project, forcing the government to foot the entire bill and tripling the budget to over £9 billion. Critics fear that security costs will burn a hole in the Games' budget with plans to station an aircraft carrier in the Thames Estuary, set up anti-aircraft batteries and base Special Forces in and around London. Some even accuse the government of downplaying the budget and estimate that it could well be in excess of £20 billion.

But Sir Alan is unfazed. "After the Great Exhibition in 1851, this is the best opportunity for the UK to showcase its skills." Held in London between May 1 and October 15, 1851, the exhibition was used by Britain to remind the world of its status as an industrial giant. Ironically, it failed to prevent the decline of the British Empire.

If the legacy part of the 2012 London Olympics plays out well, it will be time for another round of conquests – this time by UK-based companies in overseas markets. ◆

THE WRITER WAS IN LONDON AT THE INVITATION OF UK TRADE & INVESTMENT

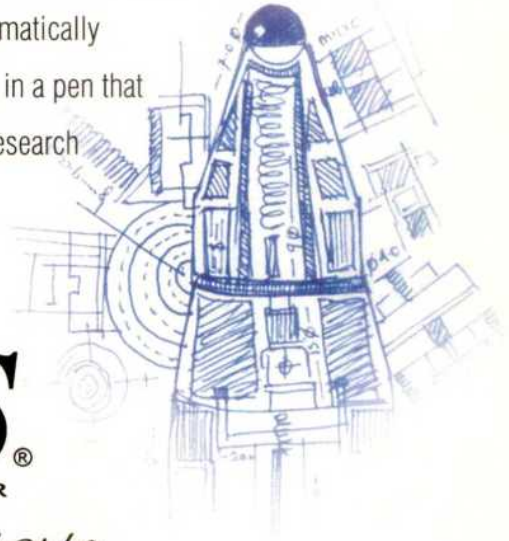
20,000 MEDIA PERSONNEL | **3,000** TECHNICAL STAFF | **7,500** TEAM OFFICIALS

Send your comments to editor.bt@intoday.com

ADD Gel®
Leaders in Writing Technology

A micro spring as thin as hair. A roller ball almost as hard as a diamond. A technology that adapts to you.

Presenting Eins from ADD Gel. Revolutionary Gel Roller Technology that has a ball made from Tungsten Carbide, only the second hardest material after a diamond. Coupled with a micro-spring made from high tensile steel as thin as hair, the technology enables the pen to recognize your writing style. Giving you uniform and smooth writing pleasure every time. What's more, when the pen is left unused it automatically shuts the tip from inside, resulting in a pen that never dries. A result of Japanese research and German engineering...
Ingenious!

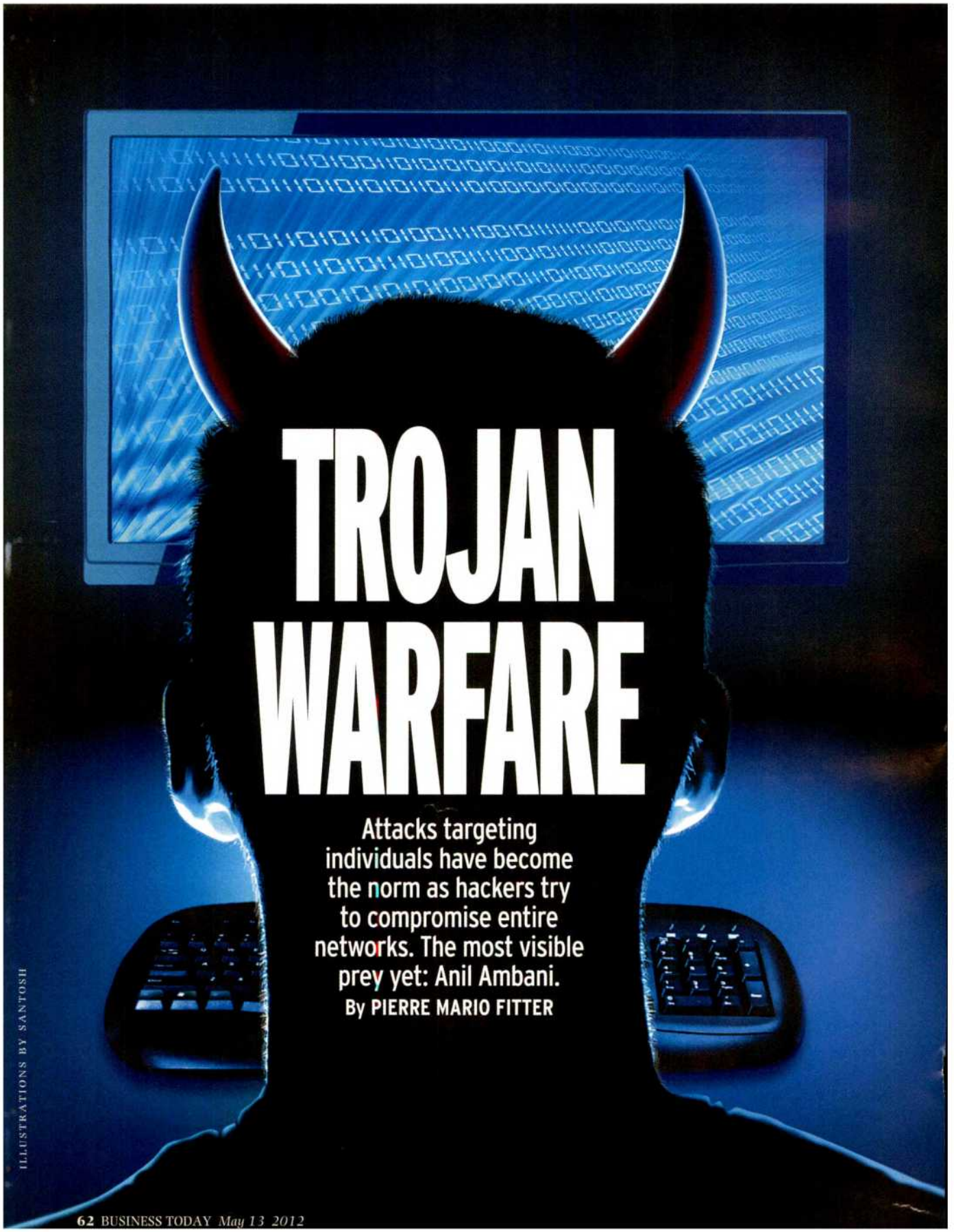


eins®
GEL ROLLER

Writes to your taste

www.addpens.com | email: corpsales@addpens.com

Invitation Price ₹ 70/-



TROJAN WARFARE

Attacks targeting individuals have become the norm as hackers try to compromise entire networks. The most visible prey yet: Anil Ambani.

By PIERRE MARIO FITTER

ILLUSTRATIONS BY SANTOSH

On May 8 last year, Reliance ADAG boss Anil Ambani received a Microsoft Word document from what appeared to be the account of a journalist. However, when company officials contacted the reporter, it became clear he had not sent the email. Fearing a breach, the officials alerted the Mumbai Police cyber crimes cell. The investigators had alarming news – the document had a worm designed to steal data. Reliance ADAG denied any data was compromised but one investigator who spoke to *Business Today* on condition of anonymity, believes otherwise.

Hiding a worm in an MS Word document is "extremely difficult", says the cyber-sleuth, but the hackers persevered, as the flaw they exploited had only just been discovered and few computers were likely to be patched for it. Once the document was downloaded, the worm went after the hard drive, hunting for data. "Anti-virus programs could not detect it," says the source. The investigators could not even establish what data was stolen. They only know that it was the work of Romanian hackers. Reliance ADAG declined comment.

'Social engineering' is the term experts have coined to describe attacks like the one on Ambani. It is the act of deceiving an insider to gain access to a secure network – in much the same way the Greeks used a wooden horse to get past Troy's defences and defeat their rivals. Hence the name for such worms: Trojan.

A Bangalore-based software firm faced a similar attack in the summer of 2008. An employee had downloaded what he thought was a clean program onto his office laptop. In reality, it hid a virus that swept through his folders and uploaded his data on the hacker's server. This data included the source code to his company's products. Fortunately, the hacker was not as skilled as the ones who targeted Ambani and was tracked down.

"Earlier, hackers targeted servers, so organisations set up firewalls," says Dhruv Soi, Director of Torrid Networks. "So, hackers are now targeting employees." Soi – and every cyber security expert *BT* spoke to – considers social engineering the biggest threat to a company's data.

Since such attacks do not set off alarm bells at the firewall, most companies remain unaware of the breach. A study released by US-based internet and telecom firm Verizon this March said 85 per cent of hack victims were not aware of the breach for several weeks. Worse, 92 per cent of the victims found out about it only after a third party alerted them.

The Indian government has itself been the victim of three such social engineering attacks, all from China. The most recent was LuckyCat, which targeted Indian and Japanese government computers beginning June 2011. In all, it hit 233 computers (see *How LuckyCat Unfolded* on page 64).

LuckyCat mirrored a 2009 campaign called GhostNet, which targeted Tibetan officials and Indian embassies. The ShadowNet campaign, one year later, was even more devastating. It first hit India's TRACK II diplomacy teams:

10,315

Cyber attacks reported to central response agency, CERT-In in 2010

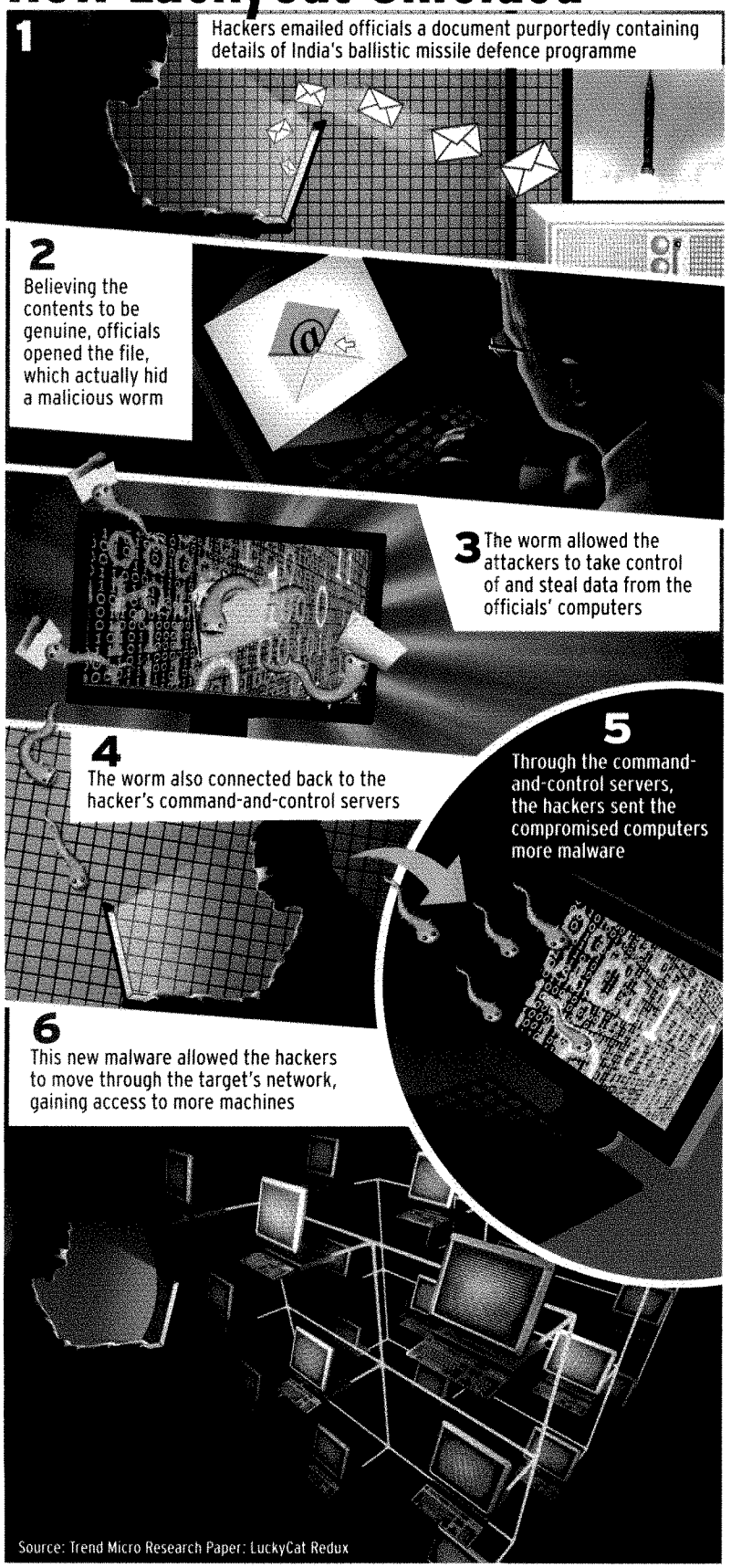
8,324

Number of phishing attacks recorded in India by cybersecurity firm RSA in 2011

₹171.9 crore

Total losses caused by phishing attacks in India, in 2011, according to RSA

How LuckyCat Unfolded



Source: Trend Micro Research Paper: LuckyCat Redux

members of think tanks or the media. They interact regularly with diplomats, as well as defence and intelligence officials. "It's almost like a social network," says a former intelligence officer, requesting anonymity. "Once they got into the think tanks and media, they targeted their contacts in government." Three years after the attacks took place, "even the GhostNet botnet is still operational," he says, referring to the network of hijacked computers the hackers used to carry out the attack.

While the people behind the GhostNet and ShadowNet campaigns were never found, investigators identified Gu Kaiyuan, a former student of China's Sichuan University, as the mastermind behind LuckyCat. Sichuan University is a favoured hunting ground for China's cyberspy recruiters.

"Everything critical was lost. Our anti-Naxal strategy, our posturing towards Sri Lanka... It is extremely frustrating to see the same old attack vectors working [repeatedly] against sensitive government systems," says the former intelligence official, who also investigated GhostNet and ShadowNet and is familiar with LuckyCat.

Some experts blame Microsoft for China's hacking success. In 2003, and again in 2010, the company handed over sections of its Windows operating system's source code to the Chinese government. Russia was another recipient. The company defended the decision, saying it gave governments "insight and a deeper understanding of Microsoft products" so they could be confident of security. However, Western experts warn that hostile governments now have access to potential flaws in Windows.

Social engineering is also used by 'phishers' to make money. This breed of scamster indulges in fairly simple duplication by copying the webpages of banks and fooling people into entering account information and passwords. RSA, a US-based cybersecurity firm, recorded 8,324 such attacks in India in 2011.

Tips to Stay Safe

Do not download any attachment or

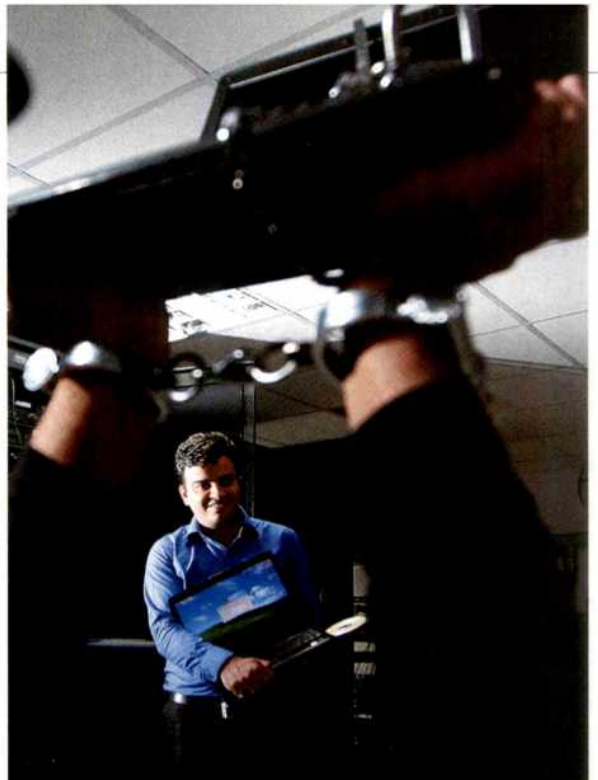
On business trips

Do not email or copy sensitive data

Total losses were estimated at ₹171.9 crore.

Telecom is another vulnerable sector. One threat lies in common apps such as games or ringtones, popular among India's 911 million mobile phone connections. These are often created by small, third-party developers with razor-thin profit margins. They have little to spend on security. Most only use a username and password to access the telecom company's online store servers to upload new apps.

Hackers who crack the app developers' accounts not only replace genuine products with malware-laced ones, they also gain access to the telecom company's server. "I'll be surprised if any telecom company has an idea of who fully controls its [app] servers," says a cyber security expert, formerly with the military, and now in the private sector. "They're five per cent of the revenues but 95 per cent of the problem."



SHEKHAR GHOSH

"Earlier, hackers targeted servers, so organisations set up firewalls. Now, hackers are targeting employees"

DHRUV SOI, Director, Torrid Networks

With millions of subscribers to target, mobile phone hackers are not just a threat to privacy and finances, they automatically become a national security problem as well.

Such cyber attacks are costly. Out of 200 Indian organisations surveyed by computer security firm Symantec for its 2011 State of Security Survey, 144 reported hacks over the previous 12 months; 92 per cent reported financial losses. On average, companies lost ₹41.3 lakh in revenues and ₹33 lakh in reputation costs. As for non-monetary damages, 37 per cent reported down times, 31 per cent lost confidential customer information and 28 per cent had intellectual property stolen.

Training is an essential first step to protect corporate networks from attack. Firewalls are not enough. "Companies build [network security] like a fortress: a wall on the outside and nothing much inside. One breach is all it takes," warns Sundar Ramakrishnan, Director of Engineering at networking company Cisco Systems. Monitoring systems are expensive but provide good protection—they can spot potential hacks. For example, data leaving a network that was not moved by a user is likely the work of a worm.

The government has a security agency to tackle these issues. The eight-year-old CERT-In (Computer Emergency Response Team) issues warnings and probes each attack. But it is understaffed; CERT-In's website lists just 23 officers as "scientists". In 2010, the last year for which there are figures, these 23 men and women had to investigate 10,315 reported cyber crimes and 14,348 defacements of Indian websites. However, they are often assisted by experts from over 60 empanelled organisations.

Ultimately, even computers with the latest security features are vulnerable to what techies call zero-day attacks. This, says R. Srikanth, a cyber strategies researcher at the Takshashila Institution, is "where malicious hackers find and exploit bugs in the code before anyone realises their existence". ◆

software unless you have confirmation it was sent by someone you trust

and vacations, carry a secondary laptop and mobile phone

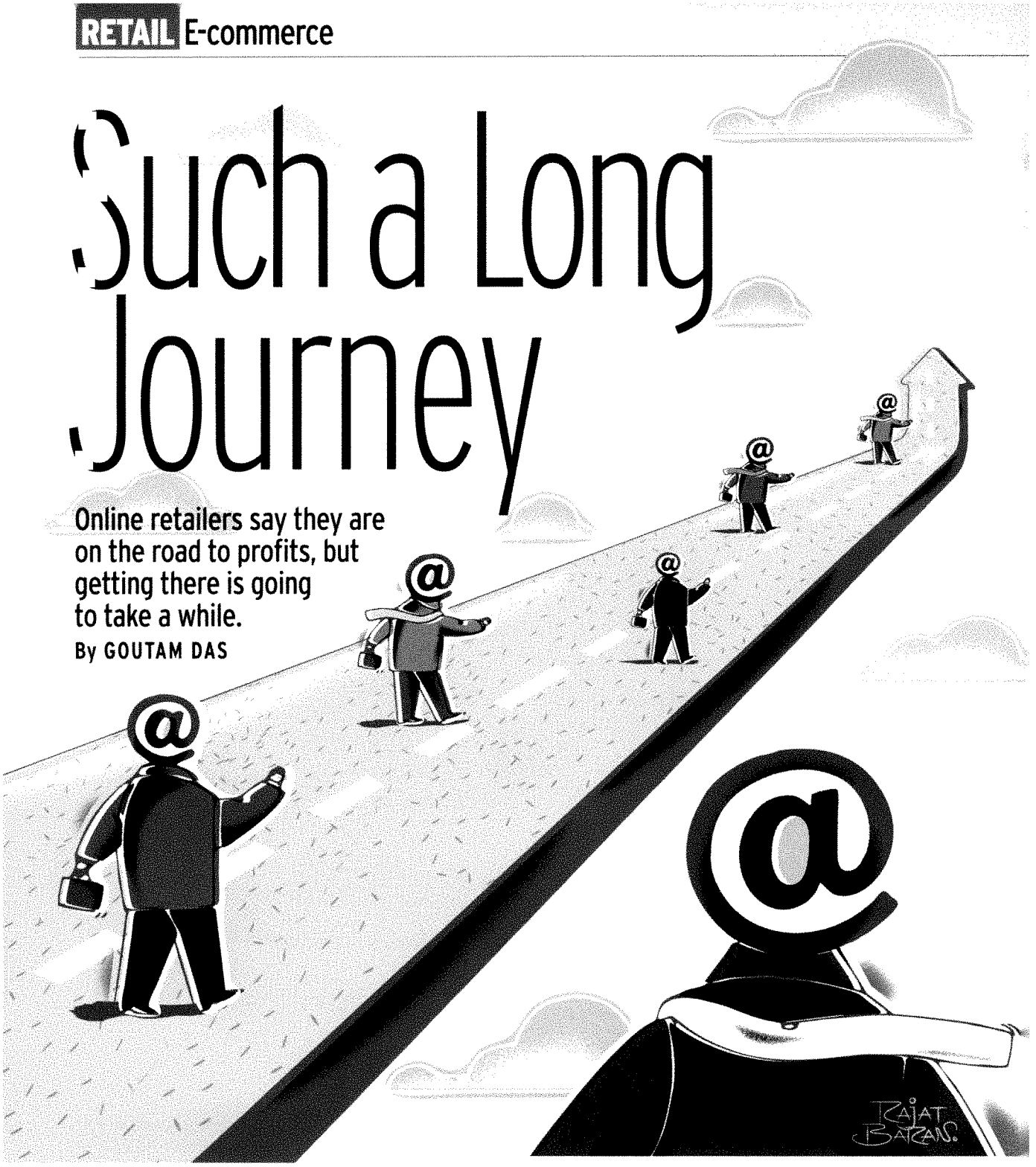
to your laptop, especially if you have to access this data outside a secure network

Send your comments to editor.bt@intoday.com

Such a Long Journey

Online retailers say they are on the road to profits, but getting there is going to take a while.

By GOUTAM DAS



Six months ago, Flipkart, India's largest online retailer with 2.6 million users and daily revenues of ₹2.5 crore, embarked on a search for something critical to its future: a chief financial officer. The site, which went live in 2007, never had one. One applicant interviewed by co-founders Sachin Bansal and Binny Bansal was the CFO of an IT company. The three-hour interview covered valuations, technology, Amazon, market reach, and a NASDAQ listing.

Not profitability.

"Our meeting ended with one of the founders saying they don't want to be curtailed right now," says the CFO, who does not want to be named. "I tried to talk about streamlining finances, but I don't think profitability figures in their scheme of things." He never heard back.

Interviews with venture capitalists at
www.businesstoday.in/e-retailing

HOW COSTS STACK UP

	BOOK	MOBILE	APPAREL
SALES	100%	100%	100%
Cost of item	60%	88%	65%
Discount	30%	10%	15%
Packaging	1%	1%	1%
Free shipping	10%	2%	10%
Cash on delivery	8%	2%	4%
Warehousing	1%	1%	1%
Inventory and write-offs	4%	4%	2%
Manpower costs	10%	5%	10%
Gross margins	-24%	-13%	-8%

Source: Industry estimates

*Payment gateway (alternative to COD) is 2% of sales

In January 2012, Flipkart hired former Sapient Corporation executive Karandeep Singh as CFO.

Flipkart's customer base increased 10 times in the past year. It ended 2011/12 with a top line of ₹500 crore, and expects that figure to grow by four times in the current year. The company and its associates are losing money: according to three people with knowledge of its operations, losses are at least ₹6 crore a month. Flipkart's filings with the Registrar of Companies say it lost ₹91.27 lakh in 2009/10 and ₹1.37 lakh in 2008/09. The increase in losses since 2009/10 is due to the cost of customer acquisition. E-retail industry executives say the cost of acquiring each new customer – expenses include advertising and search engine optimisation, which improves visibility in search results – is ₹800 to ₹1,500. By contrast, the average price of a book is ₹300.

So are the Bansals and their backers complete nutcases? The answer may not be obvious to outsiders, but those familiar with Flipkart's financials – including venture capitalists who funded it – say there is a method to their madness. The company has started tinkering with profitability – a discount tweak here, a slight price increase there. There is no free shipping for orders below ₹200, for instance.

Flipkart did not talk to *Business Today*, nor did it confirm the ₹6 crore-a-month loss. But a spokesperson clarified in an e-mail that the company was operationally not profitable because it is investing heavily in technology and the supply chain. The e-mail said: "Currently, Flipkart is making a profit at a per transaction level. If we stop investing, we can become profitable in a day but our aim is to grow and become India's largest retailer." The spokesperson said it is necessary to expand business to realise the potential of e-commerce in India.

Financial services provider Avendus Group expects Indian e-commerce to grow to ₹107,800 crore ($24 billion) by 2015 from ₹28,500 crore in 2011. Currently, eight million to 10 million people transact online in India. That number is expected to be 38 million by 2015. China and the United States are bigger – according to Boston Consulting Group, China has 145 million online shoppers, and the US has 170 million – but India's potential is undeniable.

Flipkart is hardly alone in its profitability dilemma. All online retailers in India have been sucked into the race for more customers and top-line growth. Concentrating on profits will mean slowing down on these two fronts.

In the last 15 months, online fashion retailer Myntra has doubled revenues every four to five months. To double them again, it must build capacity in terms of people, warehouses, and stocks. By reducing marketing expenses, it expects to become profitable by October 2013. It has cut the cost of customer acquisition from ₹1,300 in March 2011 to ₹400 now, says CEO Mukesh Bansal. "It's our secret sauce. We have a deep understanding of online consumers." Myntra does not discount much.

Margins are higher in fashion retail than on books or mobile phones. Online fashion brand Yepme, too, expects a net profit by November 2013 – faster than a seller of books or electronics could do.

For those who discount – which means most Indian e-retailers – the path to profitability is lined with thorns. Executives connected to the e-commerce industry say most companies are not profitable at even the gross margin level, going by international accounting standards.

Discounts, free shipping and cash on delivery (COD) eat into profits. Free shipping for books and apparel adds up to 10 per cent of revenues. COD, necessary because not all customers pay by credit card, can eat up as much as eight per cent of the top line. "COD adds ₹50 to ₹100 to costs, and 60 per cent of Indians pay this way," says Aashish Bhinde, Executive Director, Avendus. "That can be brought down to 20 per cent if things like mobile payment work out."

Gross margins for an online book seller are estimated at minus 24 per cent. At the operating level, companies are being bruised by marketing costs. A burst of television advertising could cost more than ₹15 crore.

K. Vaitheeswaran, founder of online retailer Indiaplaza, is a doughty fighter whose venture survived the dotcom

VIVAN MEHRA/www.indiatodayimages.com

Some in the industry say Flipkart is losing ₹6 crore a month, but the company says its aim is to expand its business and become the country's biggest retailer

Bulking up: Flipkart co-founders Sachin Bansal (left) and Binny Bansal

bust of 2000/01 but has now fallen behind, at least going by the top line (see *Click Clock*). Vaitheeswaran, who says few of today's e-retailers will survive, stopped offering COD because he reckons the model will never make money.

Indiaplaza has no warehouse – goods are sourced when ordered. This may be cost-efficient, but could lead to delays and unhappy customers. For example, Radha Radhakrishnan has done 20 transactions on Flipkart in the past year, and only two at Indiaplaza. "Flipkart delivers books in 24 hours," says Radhakrishnan, head of operations at Ankur Healthcare, a hospital chain in South India. "I recently ordered a book from Indiaplaza, and it took them three days to deliver."

The number of repeat transactions is becoming a keenly watched metric to gauge how soon an e-commerce company can make a profit. "Given the cost of customer acquisition, a customer must transact more than three or four times to make the company profitable," says T.C. Meenakshisundaram, Founder and Managing Director of IDG Ventures India, a venture capital fund. The likes of Flipkart, Myntra and Yepme are confident about profitability because customers do return. Flipkart says 70 per cent of them come back.

But there is no guarantee of that. What if a rival offers better discounts? Uread, founded in March 2011, and owned by Delhi distributor Prakash Books, says its procurement costs are 10 to 15 per cent lower than those of rivals. "We pass the benefit on to the customer," says Uread co-founder Gaurav Sabharwal. For example, Flipkart offers a 14 per cent discount on Jeffrey Eugenides's *The Marriage Plot*, while Uread offers 26 per cent.

Subrata Mitra, Partner at Accel Partners, who is on the boards of Flipkart and Myntra, says companies could take up to five years to show profits. Amazon, the world's biggest online retailer, started in 1995 but became profitable only in 2001. The road to profitability, then, is long. ◆

ADDITIONAL REPORTING BY G. SEETHARAMAN AND TASLIMA KHAN

CLICK CLOCK

Strategies, time to profits, revenues

FLIPKART

Selective discounts, shipping charges for orders below ₹200

36 months or more | **₹2,000 cr +** Revenues FY '13*

INDIAPLAZA

Fewer overheads, no inventory, no cash on delivery

18-20 months | **₹200 cr** Revenues FY '13*

MYNTRA

Customer acquisition costs 69% lower than in 2011/12, few discounts

18 months | **₹500 cr** Revenues FY '13*

YEPME

Own brand, so higher pricing power; can sell on other platforms

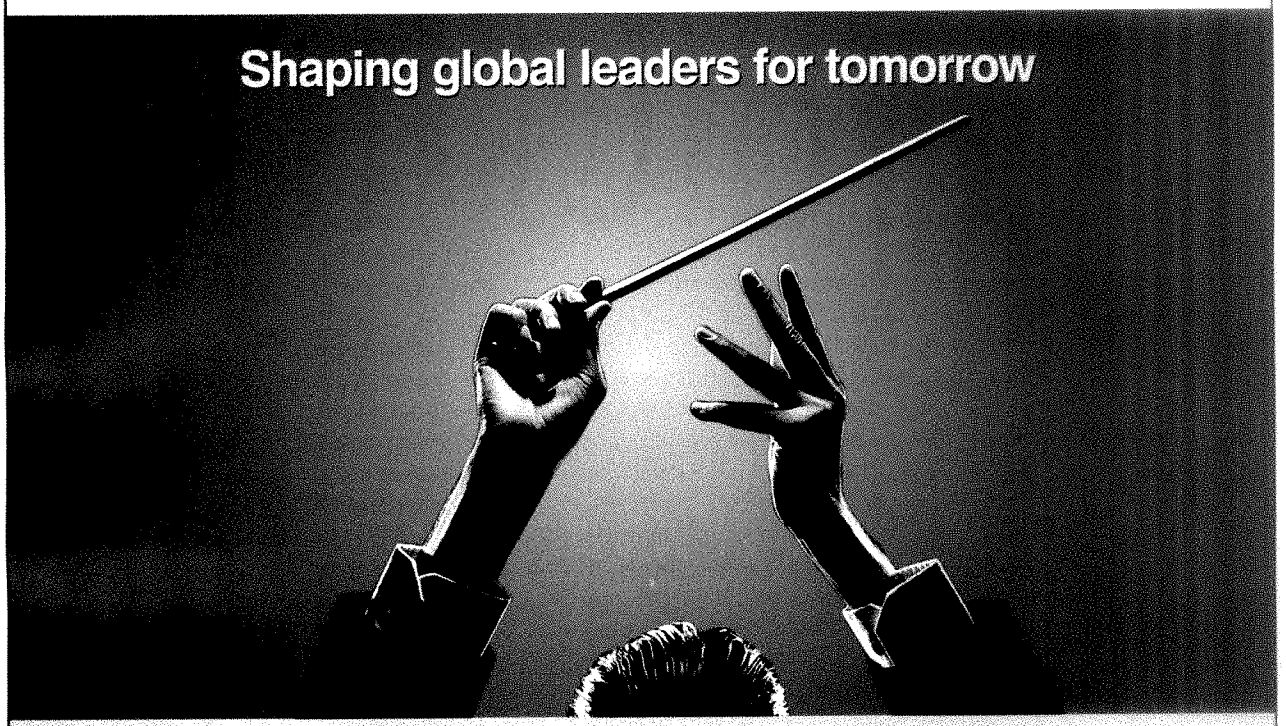
18 months | **₹80 cr** Revenues FY '13*

Source: BT Research

*Estimates

Send your comments to editor.bt@intoday.com

IMI
INTERNATIONAL MANAGEMENT INSTITUTE



Inviting students, working executives and management faculty to join IMI's Fellow Programme

(Doctoral programme approved by AICTE)

If you wish to be a Knowledge Creator and have a passion for research, here is an opportunity for you to join IMI's Fellow Programme and undertake doctoral level research across diverse management disciplines. IMI's Fellow Programme will enable you to imbibe cutting-edge managerial skills while also providing an opportunity to work with and be guided by an eminent team of faculty with global exposure and stature. In addition, IMI will provide you with an invigorating academic ambiance that constantly encourages exploration of wider horizons for solutions to varied management challenges.

Applicants can pursue doctoral research in any one of the following areas of management:

Finance & Accounting, Economics, Strategy, Marketing, Organization Behaviour, Human Resource Management, Operations Management, Information Systems

Eligibility : ▶ Post graduate degree ▶ Degree in Engineering/Technology

Selection : ▶ Either one of GMAT/CAT ▶ Personal Interview

Application mode : ▶ Online form available on IMI website

▶ Physical forms available at IMI Campus

Application Deadline : May 20, 2012

Attractive Scholarship for full time students

B-10, Qutab Institutional Area, Tara Crescent, New Delhi 110 016
Phone: (011)47194100/4200, Email: supriya@imi.edu, Website : www.imi.edu

Perfect10

Wafer-thin

More than half a dozen start-ups have launched online grocery stores in recent months. Working people, happy to have rice, sugar and even organic pepper delivered to their doorstep, may wonder why no one thought of it sooner. But e-groceries are a tricky business. The success of online book and gadget retailers is little reason to assume that this sudden smorgasbord will fare well.

There is, of course, room for growth. According to consultancy firm Technopak Advisors, food and groceries account for $343 billion (₹15.44 trillion; one trillion equals 100,000 crore), or 68 per cent, of the $505-billion Indian retail market. Within this category, the organised food and grocery market, estimated at $12 billion, is expected to grow at a compound annual rate of 30 per cent in the next five years.

That might explain why 26-year-old Ambuj Jhunjhunwala, who started online supermarket MyGrahak in 2010, wears a confident smile. The entrepreneur, whose family promotes 6Ten, a 300-store retail chain, is unfazed that he has three rivals in the National Capital Region alone (see *Grocers Galore*, page 72). "The market has room for everyone," says Ajay Mittal, Director, Ascent Capital. His company recently invested $10 million in BigBasket, the only e-grocery venture to attract funding.

"If people can buy highly touch-and-feel products like shoes or apparel online, why not grocery," asks Vaibhav Goel, founder of three-month-old FamilyKart, which delivers around 20 orders a day in and around Delhi.

E-grocers enjoy some advantages over regular supermarkets. They save on costs such as rent, store staff, and managing store inventory in addition to warehouse inventory. Two years ago, 6Ten closed 25 stores that were not doing well. More recently, Future Group's Big Bazaar and the More chain, operated by Aditya Birla Retail, also shut several stores that had turned unviable. "Delivery costs account for 60 per cent of what we would incur on rentals, so we save 40 per cent," says Hari Menon, co-founder of Bangalore-based BigBasket.

One reason why no e-grocery start-up other than BigBasket has managed to raise money is that margins are wafer-thin. "At a gross margin of 12 to 15 per cent, profitability cannot be more than two per cent," says Gaurav Saraf, Director of Epiphany Ventures, a venture capital firm. The gross margin on fast-moving consumer goods is as low as 14 per cent. On fruit and vegetables, it is around 16 per cent but shelf life is shorter. This is why many sites, including MyGrahak and FamilyKart, stay away from fresh produce. BigBasket, however, says it has no problem. "Fruit and vegetables are procured only on order, except for those with a longer shelf life, such as potatoes and onions," says Menon. "This reduces loss of stock by three to four per cent."

One of the biggest rivals of e-grocers is the local *kirana* store, which offers home delivery in many cities, often within an hour. But Ascent Capital's Mittal says *kirana* shops lack the cost advantages to offer customers the best price, and cannot stock a wide range of products. BigBasket tries to consolidate orders in a locality and reach the cus-

ADITYA KAPOOR

MARKET SIZE

Organised grocery retail is likely to grow by 30% a year

Source: Technopak

Margins

There is potential for growth, but only one e-grocery start-up has attracted funding so far.

By TASLIMA KHAN

Ambuj Jhunjhunwala of MyGrahak

TRICKY BUSINESS

Margins as low as 2% | Supply chain hard to replicate | Many items are perishable | Scaling up is difficult | Competition from big retail

tomer in eight to 24 hours. But is that enough? Manohar Mason, Managing Director of Pentagon Communications, a marketing and consulting firm, doesn't think so. He says: "People can wait for books, but not groceries."

E-grocers are more likely to get repeat purchases than online retailers of other products. BigBasket says 65 per cent of its 3,000 customers are repeat buyers. But this also means e-grocers must be on their toes. "If you can satisfy a busy customer, you're in for a huge opportunity," says Mason.

Many investors doubt whether e-grocers can scale up. "This category cannot rely on a hub-and-spoke model, unlike apparel or electronics," says Mukul Singhal, Vice President of SAIF Partners, a venture capital firm. A book or an iPod can be sent by air across the country more easily than a 10 kg package of groceries.

"To reach ₹100 crore in revenue, you must be present across the country," says Epiphany Ventures's Saraf. "Supply chain challenges are different in Bangalore and Gurgaon. You cannot replicate your model."

So, while Jhunjhunwala expects MyGrahak to turn profitable by end-2012, he has no expansion plans. Goel of FamilyKart says scaling up in other cities makes sense only after it has fully penetrated the area it currently operates in. But it is debatable whether volumes alone can make a venture profitable. Started in 2007, Britain's biggest e-grocer, Ocado, executes more than 9,000 orders a day, but struggles to make a profit. California-based Webvan started in 1999 and went bankrupt in 2001. It delivered fresh produce in 26 cities, but ran aground partly because it could not keep its promise of delivery in 30 minutes.

To boost margins, Indian e-grocers concentrate on monthly rather than daily purchases. A second strategy is to sell products with higher margins. Margins on pet food, for instance, can go up to 30 per cent. "The contribution of such items to sales is over six per cent, and we plan to raise it to 15 per cent," says Jhunjhunwala, whose monthly sales turnover averaged more than ₹1 crore a month in the past year.

A third strategy is to sell in-house brands, which improves margins by 20 to 25 per cent on staples. "We sell 7,000 SKUs, of which 300 are our own branded staples," says Menon of BigBasket. SKU or stock-keeping unit is the retail term for product identification code.

E-grocers get fewer deliveries returned than other online sellers – two to three per cent. The overall retail average is over 10 per cent. Most returns are because the customer was not available to receive the package. Chennai-based e-grocer Veggibazaar, which sells fresh produce, asks customers to indicate where orders can be delivered if they are not available – with a neighbour, maybe, or the security staff.

Perhaps the biggest threat to e-grocers is giants such as the Future Group, which is testing a hybrid model to sell groceries online and in brick-and-mortar stores. Kashyap Deora, President of FutureBazaar.com, the group's online arm, which started selling groceries online in January, says: "We are doing pilots in 30 stores in Mumbai to check the feasibility of shipping online orders from the stores."

Saraf of Epiphany Ventures cites the success of British retailer Tesco, which operates offline and online. "It suggests that a hybrid model works best for grocery," he says. "A start-up can't compete on procurement with a Reliance Retail, which has the entire supply chain mapped out." Sourcing efficiencies allow big retailers to offer discounts.

BigBasket's Menon is undaunted. "Once we have volumes, we'll try to move up the supply chain," he says. But BigBasket is the only e-grocer with funding. Its rivals will not be able to expand unless they attract investment. Newcomers such as FamilyKart are aware the clock is ticking. "We have a small window of opportunity," says Goel. "In a year we will have to be at a level where we can survive even if the big guns enter." ◆

Send your comments to
editor.bt@intoday.com

ETHNIC WEAR | club wear | formals | semi formals | casuals | accessories | bespoke tailoring | fine fabrics
165 Commercial Street, Bangalore | NOW AT UGF, MANTRI SQUARE, MALLESHWARAM, Bangalore | www.prestigethemanstore.com

NEW AGE FINISHING SCHOOLS

A new breed of skill development companies works closely with industry to not only provide training, but also guarantee jobs.

By MANU KAUSHIK

In 2008, Subrata Kundu, looking for a career in information technology (IT), enrolled for a three-year course at NIIT, even while he was already studying for a bachelor's degree in economics at a West Bengal college. But as the NIIT course came to an end last year, he began to worry. Considering he had spent ₹1.5 lakh on it, the job offers he was getting were hardly commensurate. A typical offer was the one from Tata Consultancy Services, which provided a data operator's job at ₹96,000 a year. "I was not interested in data entry jobs as they are low profile," he says.

Fortunately, in December, still unemployed, Kundu heard about a two-week programme the Hyderabad-based skills development company TMI e2E Academy Pvt Ltd would shortly conduct to train sales and marketing executives. The extraordinary feature of the programme: it guaranteed a job. It was being conducted on behalf of Axis Bank, which had 30 openings for such personnel and would absorb all those trained. It would also pay the entire cost of training. Kundu applied, got through the entrance test, and now earns a salary of ₹1.8 lakh per annum.

This is a new training format called the 'closed model' which companies in the skills development business are increasingly turning to. Unlike traditional training institutes, which conduct courses and thereafter leave it to the students to find themselves jobs – at best, facilitating campus placements – firms like TMI, set up in February 2011, start training programmes only after receiving a mandate from a company to fill specific vacancies. The firms then find the right candidates by advertising in newspapers and thereafter putting applicants through a pre-enrolment test. Selected candidates are then trained and delivered to the company. The courses vary from 10 days to three months, depending on the skill level needed in the vacancies to be filled.

These new-age training institutes are fulfilling a crying need of industry: providing employable newcomers. Several studies have shown that though the country produces a staggering number of engineering, business and other kinds of graduates and postgraduates every

FOP MODELLING AND PHOTOGRAPHS BY RAJAT BARAN

BENEFITS OF JOB GUARANTEED TRAINING PROGRAMMES

FOR EMPLOYERS

- Cost effective way for companies to hire people in bulk
- Productivity of trained newcomer higher than that of other freshers
- Attrition rates of such personnel usually lower than that of others
- Simultaneous multi-location hiring possible if required

FOR ASPIRANTS

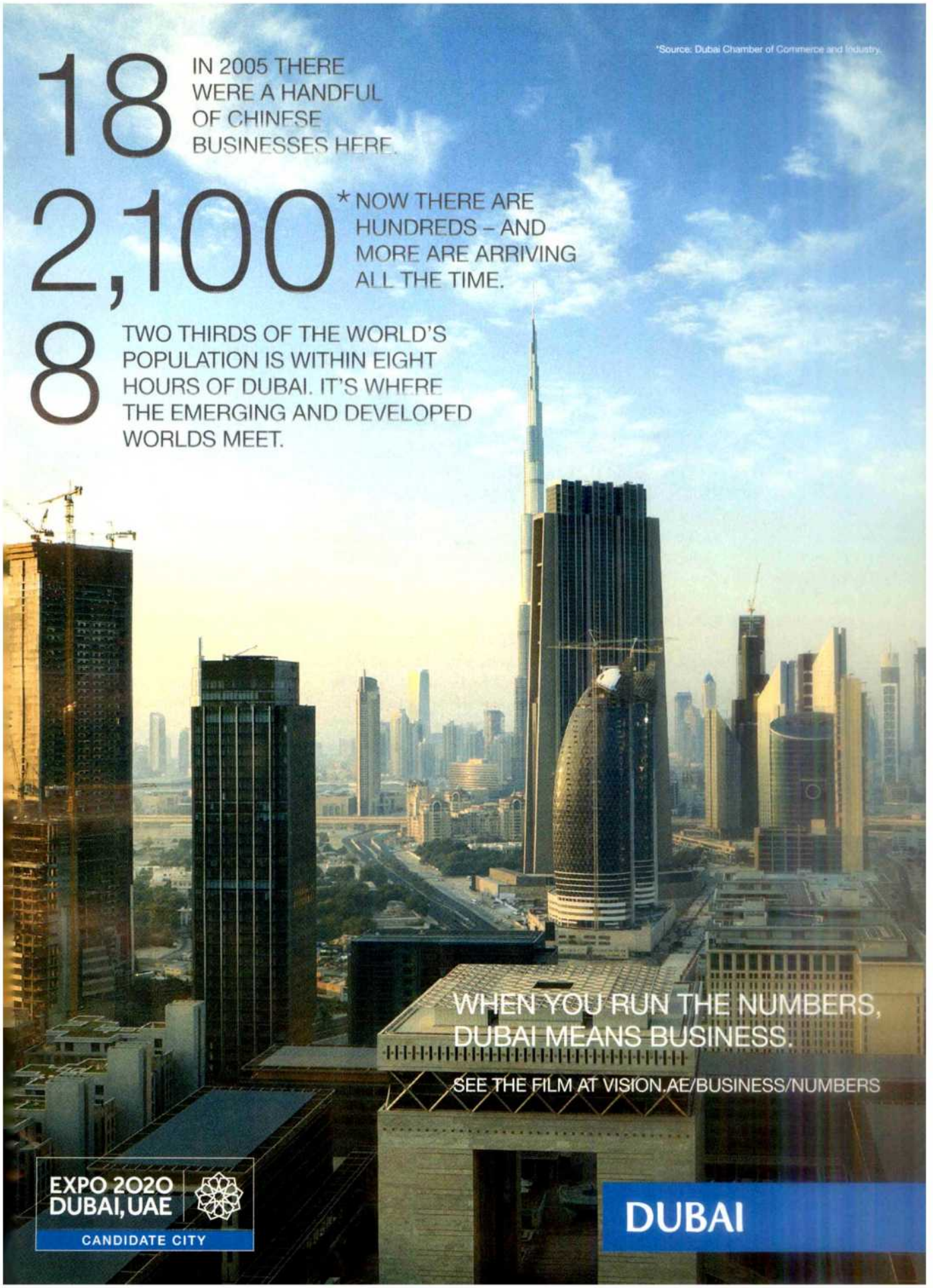
- Increases their level of engagement in both course and job
- Provides openings in large and reputed companies
- No unpleasant surprises after taking up the job
- Speeds up the career growth in the early years, provides a differentiator

year, only a handful of them meet the needs of recruiters. (See *www.businesstoday.in/hiring-tools.*) Many large companies have their own training programmes for new recruits, while a number of others like **Airtel or the Future Group are setting up training institutes.** "Every year we struggle to find the right people," says K. V. Balasubramanian, Managing Director of Indian Immunologicals Ltd (IIL), which makes vaccines and health products. "This is because our sales force needs to have some basic knowledge of the sciences and also know how to deal with doctors. Given the attrition levels, we need at least 100 entry-level sales executives every year across the country." IIL contacted TMI in April last year and has so far recruited 120 people after they underwent TMI's training, customised for IIL's needs.

Around 475 million young people will need training by 2022, beyond what is provided by traditional institutes, say government estimates. "The future of the training industry lies in moving away from the traditional methods," says Dilip Chenoy, Chairman, National Skills Development Council (NSDC). "At present, employers do not trust the quality of training institutes, trainees do not trust them either. To bridge this trust gap, the job guarantee programme is the only way to go."

Another company that follows this model is the Pune-based Global Talent Track (GTT), set up by the wife-husband duo of Uma Ganesh and Ganesh Natarajan in October 2008. Charging students between ₹3,000 and ₹45,000 depending on the course, **GTT seeks to plug the skills gaps of those keen to enter the information technology, IT-enabled services, banking, retail and financial services industries.** "We have a blended learning mechanism, which includes classroom teaching, digitised content, remote tutoring and case studies," says Uma Ganesh. "Whether a company requires 50 or 1,000 people, we have a vast network of over 800 colleges in large cities and several tier-II locations that can be tapped." Last year, GTT trained around 6,000 people for 60 companies, including Capgemini, Cognizant, ICICI Prudential and MphasiS.

Such tailor-made programmes have obvious advantages. "A generic course on retail trains a person to


*Source: Dubai Chamber of Commerce and Industry.
18
IN 2005 THERE WERE A HANDFUL OF CHINESE BUSINESSES HERE.
2,100*
NOW THERE ARE HUNDREDS – AND MORE ARE ARRIVING ALL THE TIME.
8
TWO THIRDS OF THE WORLD'S POPULATION IS WITHIN EIGHT HOURS OF DUBAI. IT'S WHERE THE EMERGING AND DEVELOPED WORLDS MEET.
WHEN YOU RUN THE NUMBERS, DUBAI MEANS BUSINESS.
SEE THE FILM AT VISION.AE/BUSINESS/NUMBERS
EXPO 2020 DUBAI, UAE
CANDIDATE CITY
DUBAI

"If a company needs a certain number of employees, it has to test at least 10 times that number. With such courses, the company is not involved at the pre-selection stage"

GIRISH SINGHANIA, Founder of EduBridge

sell all kinds of products," says T. Muralidharan, Executive Chairman, TMI. But selling a car requires different skills from selling a detergent. It would cost companies much time and money to teach newcomers to sell their products. Whereas people trained by us can hit the ground running from day one on the job."

There is also the saving on costs. One more training firm which is moving towards the customised training model is the Hyderabad-based TalentSprint, started in 2008. "It makes economic sense for companies to go for this format," says CEO Santanu Paul. "Let's say a company needs 200 people. It can go to campuses, take aptitude tests, pick the best, bring them into the company and train them. It will have to spend a large amount of money training them as well as paying their salaries. Instead, in the conditional job offer programme, job seekers often have to pay for the training and the company does not have to bear salary costs."

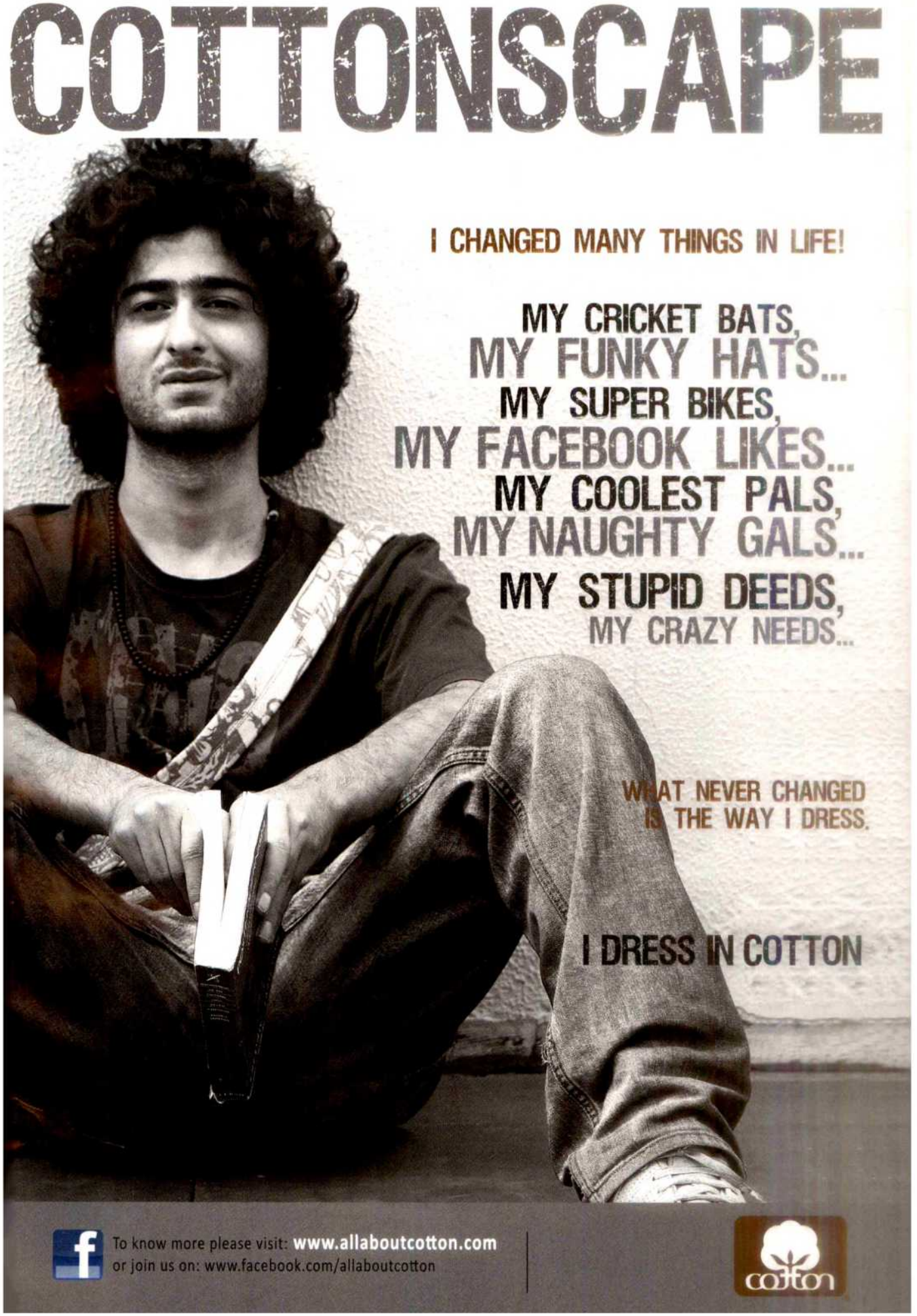
EduBridge, set up IIM Bangalore alumnus Girish Singhania, is yet another firm that follows the closed model, training people for companies such as Reliance Retail, Aditya Birla Retail and Bajaj Allianz. Running 15 training centres in the country, it has in the past two years provided jobs to over 1,000 people. "If a company needs a certain number of people, it has to test and interview at least 10 times that number. There is significant cost involved in this exercise, too. They also save money if they do not have to be involved at the pre-selection stage."

However, there is no uniformity so far over who foots the bill for the courses these institutes run. Some charge the prospective employer, some the students enrolled. TMI usually charges both, the Axis Bank programme Kundu joined being a rare exception. "It reduces the cost burden for employers while reducing attrition levels during the course," says TMI's Muralidharan. Students who have paid are naturally less inclined to quit midway.

Given their urgent need, funding to set up such institutes is no problem. Funds are coming from numerous sources, including NSDC and venture capitalists. For instance, investment firms Intel Capital and Helion Venture Partners invested $8 million in GTT in January 2009. "There is a huge demand for entry-level professionals in the large IT, construction, retail and hospitality firms," says Pradeep Tagare, Director at Intel Capital. "For many of them, training is not a core business. Companies have to spend money on attracting trainers and retaining them, creating infrastructure and training facilities." It is far more convenient to outsource the entire operations. "The cost advantage is a big pull factor for companies," says Ganesh Natarajan, who is Vice Chairman and CEO, Zensar Technologies. "There is a further advantage of not having to carry the bench and its related costs."

Chenoy of NSDC says the days when companies used to train people internally are coming to an end. "Today, a person is ready to switch jobs at any given opportunity," he says. "As a result, the return on cost of in-house training will be negative. Wherever attrition levels are high, companies are forging partnerships with training firms to get readymade talent." ◆

Send your comments to
editor.bt@intoday.com


COTTONSCAPE
I CHANGED MANY THINGS IN LIFE!
MY CRICKET BATS,
MY FUNKY HATS...
MY SUPER BIKES,
MY FACEBOOK LIKES...
MY COOLEST PALS,
MY NAUGHTY GALS...
MY STUPID DEEDS,
MY CRAZY NEEDS...
WHAT NEVER CHANGED
IS THE WAY I DRESS.
I DRESS IN COTTON
To know more please visit: www.allaboutcotton.com
or join us on: www.facebook.com/allaboutcotton
cotton

Untolled Woe

Developers grapple with the financial fallout of less-than-expected traffic.

By G. SEETHARAMAN

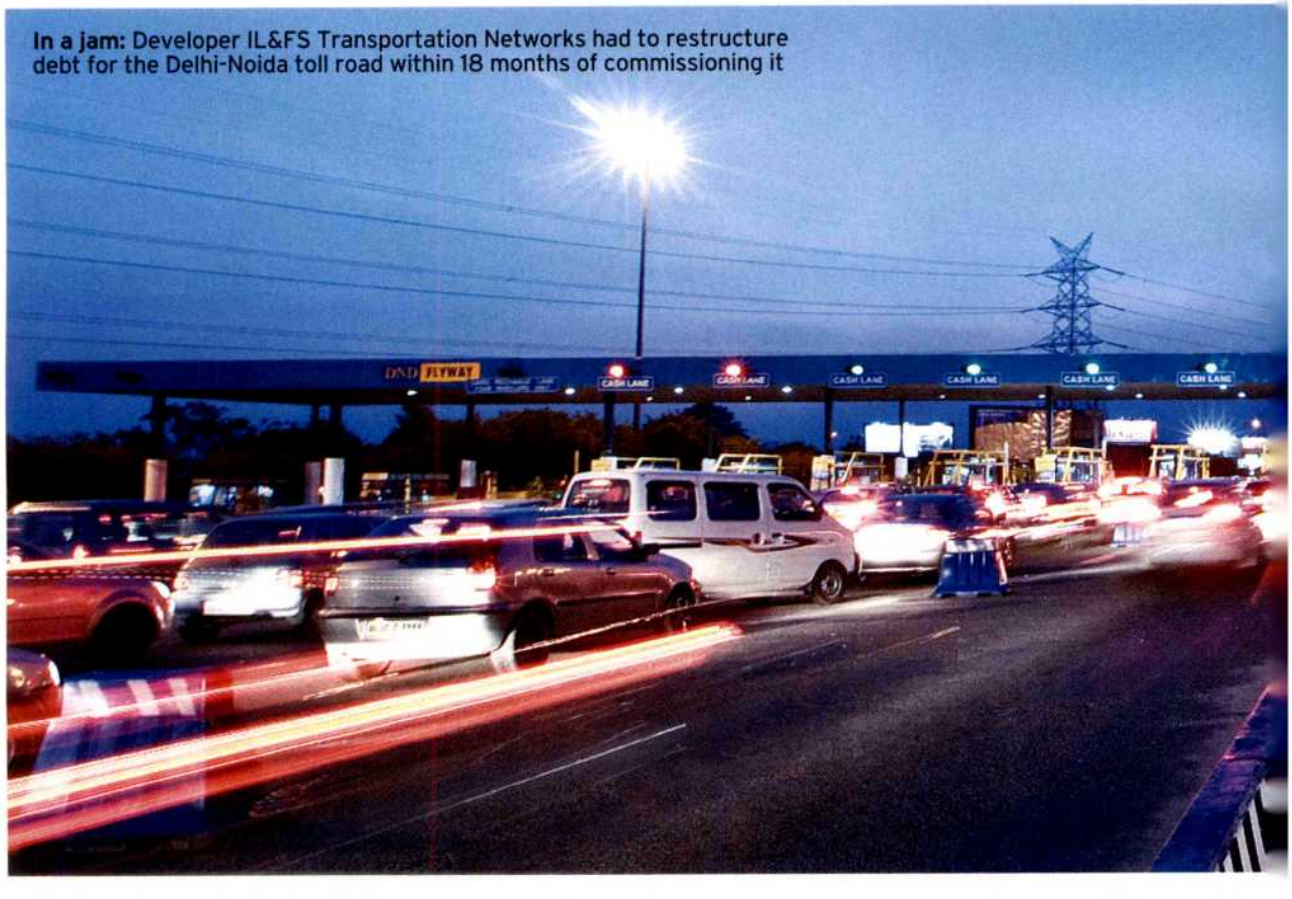
On a warm Sunday morning, traffic noise envelops the toll plaza at Khanivade, north of Mumbai, on National Highway 8. For all the noise, traffic on IRB Infrastructure Developers's ₹2,835-crore road from Dahisar, Mumbai, to Surat in Gujarat is sparse. A toll collector warns *Business Today* not to take pictures.

One of his colleagues says traffic from Surat fell 30 per cent in the past year as another road is being developed. A flyover coming up at Thane has affected northbound traffic. "We could not factor this into estimates because MSRDC made this plan only last year," says Virendra D. Mhaiskar, Chairman and Managing Director of IRB, one of India's biggest developers. MSRDC is Maharashtra State Road Development Corporation.

The daily toll collection on IRB's Mumbai-Surat road averages ₹1.15 crore to ₹1.2 crore – better than the ₹91 lakh figure for 2009/10, but still below estimates. The first-year collection was 40 per cent below projections, which Mhaiskar attributes to the economic downturn.

Traffic overestimates on several roads could hurt developers' revenues. IRB has not had to restructure debt for the Surat-Mumbai road, but some others may not be that lucky.

A March 14 report by Fitch

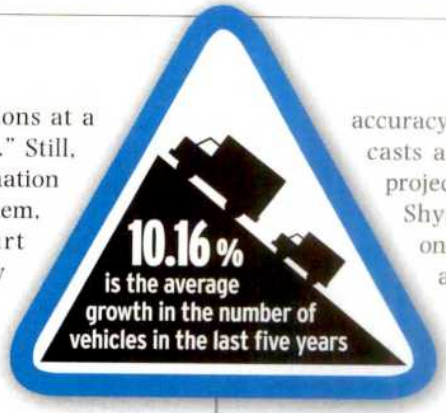


In a jam: Developer IL&FS Transportation Networks had to restructure debt for the Delhi-Noida toll road within 18 months of commissioning it

SHEKHAR GHOSH/www.indiatodayimages.com

Ratings India says there is "systematic traffic volume overestimation" on some highways. Of the 10 operational projects discussed in the report, four had first-year traffic that was more than 35 per cent below estimates. Traffic on two more roads fell short by 20 per cent.

Among the earliest companies to wake up to traffic overestimates was IL&FS Transportation Networks Ltd (ITNL). Three of its projects had to restructure debt within 18 months of being commissioned in the early 2000s, as traffic was below estimates. One was the Delhi-Noida toll bridge. ITNL Managing Director K. Ramchand says traffic on all three stretches now meets or exceeds original estimates. "Traffic estimation is an art," he says. "If a developer gets it 100 per cent right, it's a coincidence." However, experience has made ITNL cautious. Ramchand says: "We cap traffic growth projections at a particular level." Still, traffic overestimation remains a problem, and could hurt India's highway development plans.

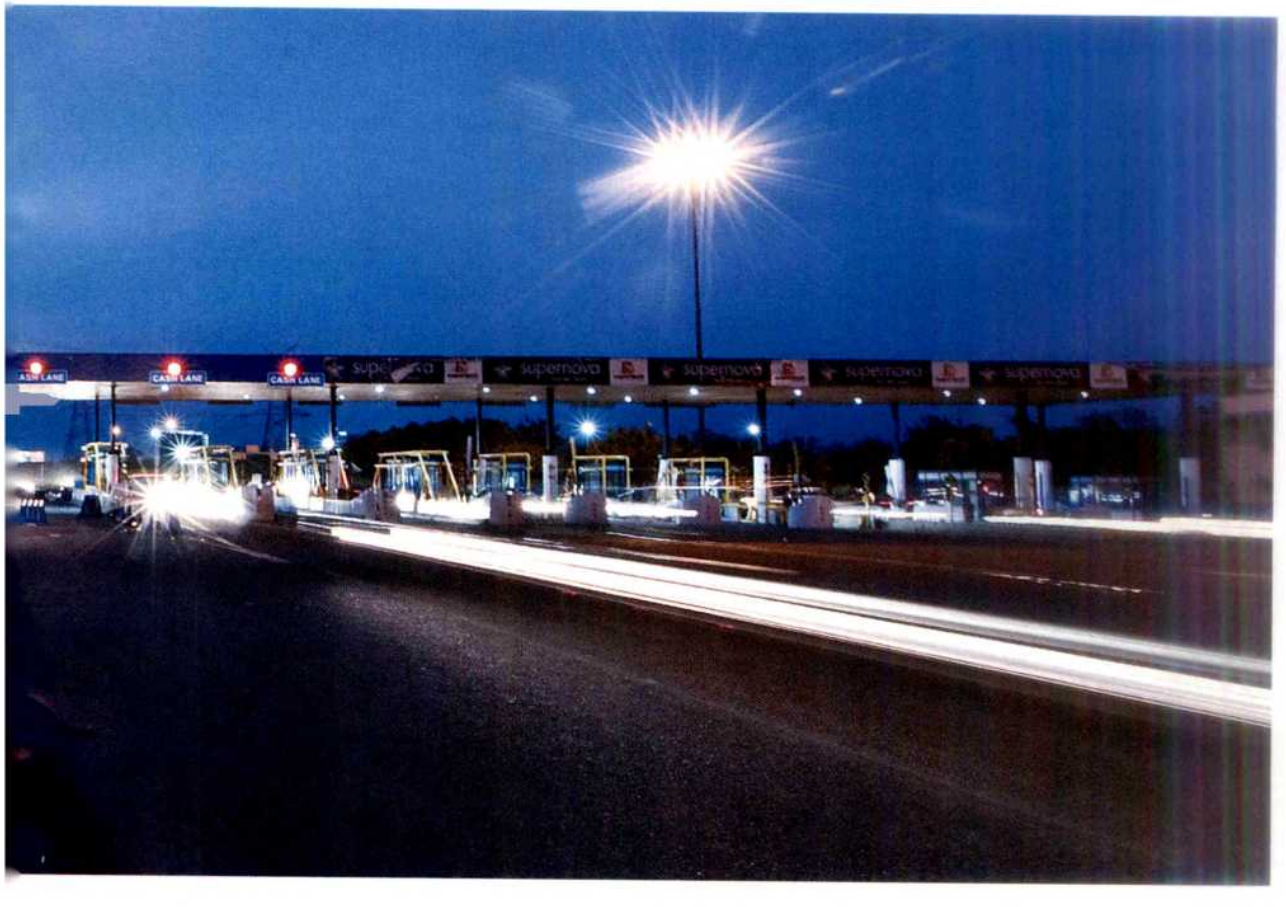


Nagarjuna Construction's Bangalore Elevated Tollway Ltd (BETL) has restructured its ₹600-crore long-term debt. CRISIL noted in November 2011 that BETL's average monthly toll collection of ₹6.5 crore lets it meet only interest obligations. BETL General Manager Mohan Chandran says he is confident things will improve soon.

Arun Kumar Sharma, CEO, Highways, GMR Group, says: "Traffic may not be great in the first year, but will improve over time." But the Fitch report says "first-year actual traffic levels are a strong indicator of the accuracy of traffic forecasts and hence of a project's prospects". Shyamali Rajivan, one of the report's authors, says most underperforming road projects rated by Fitch have met debt service obligations with infusions of sponsor support. "But I would not rule out the possibility of future restructuring," she adds.

GMR's Sharma says his company has not had to restructure debt for projects that fell short of estimates (see *Warning Signs*, page 82). However, Rajivan of Fitch says smaller developers may be unable to raise more equity or unsecured loans.

Fitch does not name the underperforming projects in its report, but in the past it has rated highways



Warning Signs

PROJECT	DEVELOPER	FIRST YEAR OF OPERATION	ESTIMATED AVERAGE DAILY TOLL (₹lakh)	ACTUAL AVERAGE DAILY TOLL (₹lakh)	SHORTFALL (%)
Jadcherla Expressway (Andhra Pradesh)	GMR Infrastructure	2009/10	17	12	29.4
Ulundurpet Expressway (Tamil Nadu)	GMR Infrastructure	2009/10	27	16	40.7
Surat-Dahisar (Gujarat, Maharashtra)	IRB Infrastructure Developers	2009/10	153	91	40.5
Bharuch-Surat (Gujarat)	IRB Infrastructure Developers	2009/10	61	35	42.2
Jalandhar-Amritsar (Punjab)	IVRCL Assets & Holdings	2010/11	9.9	6.14	38
Komarapalayam Tollway (Tamil Nadu)	IVRCL Assets & Holdings	2010/11	15.84	9.16	42.2

Source: Fitch Ratings India, Kotak Institutional Equities Research

30-40%
is the concession on the toll for vehicles that make several trips on a highway

with traffic issues, including the Komarapalayam-Chengapalli road in Tamil Nadu, owned by IVRCL Assets & Holdings, a subsidiary of IVRCL. In 2010/11, its first full year of operation, average daily toll collection was more than 40 per cent below estimates. IVRCL, which is merging IVRCL Assets with itself, wants to divest road assets to reduce debt. Analysts say poor traffic on some of its roads may also be a reason for the plan to sell them. IVRCL Assets's Managing Director S. Ramachandran denies this. "We want equity to invest in new projects," he says, adding that the Komarapalayam road still has issues, while daily collection on the company's Jalandhar-Amritsar road has improved. Interestingly, the Essel Group has acquired 12.3 per cent of IVRCL.

Before bidding, road developers hire consultants to observe the road for seven days and gather data about the traffic on it. This data is used together with economic growth projections to gauge traffic over the project's lifetime. Parvesh Minocha, Managing Director, Transportation, at Feedback Infrastructure Services, says accurate estimation is often difficult. "Many stretches are being tolled for the first time," he says.

Competition is making things harder. Analysts say the number of companies that can bid for National Highways Authority of India (NHAI) projects has doubled to nearly 50 in the past three years. P.G. Venkatram, Chief Executive, L&T-Ramboll Consulting Engineers, says developers "bid aggressively to keep order books healthy".

Highway traffic growth has averaged over seven per cent a year in the last three years. "Traffic underperformance will become a more serious issue, as some projects have been won at high prices," says an analyst with a domestic brokerage who does not want to be named. This can be risky, as project size has grown, too. Last year, GMR reportedly offered NHAI a premium of ₹636 crore for the ₹5,700-crore Kishangarh-Ahmedabad road – ₹120 crore higher than GVK Power & Infrastructure's offer.

M.S. Raghavan, Executive Director, Bank of India, says his bank has become choosier about the developers it lends to. NHAI, which awarded nearly 8,000 km of roads last year, is targeting 8,800 km in 2012/13. Given the competition, developers must win projects steadily while reining in their optimism. ◆

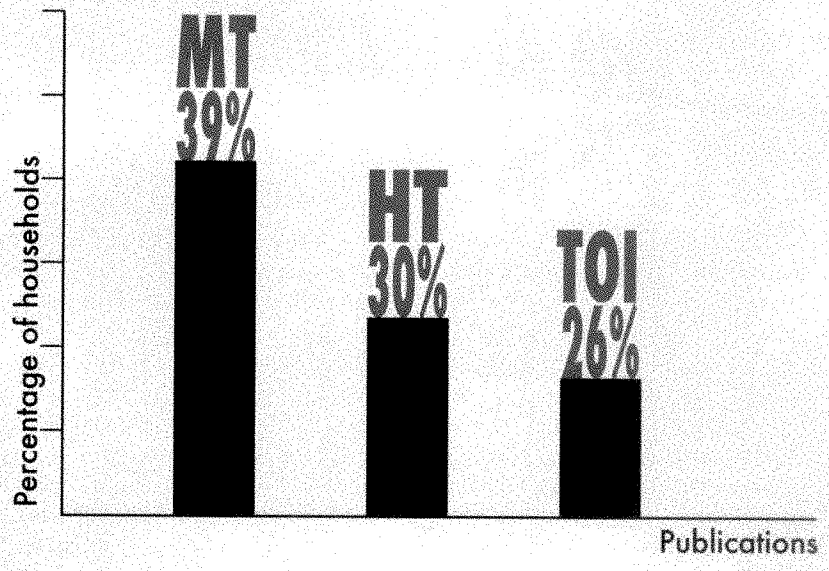
"In planning the Mumbai-Surat road, we could not factor in the Thane flyover, as the state planned that only last year"
VIRENDRA D. MHAISKAR, CMD, IRB Infra Developers

NISHIKANT GAMRE

Send your comments to editor.bt@intoday.com

THE INDIA TODAY GROUP

MAIL TODAY IS READ BY A HIGHER PERCENTAGE OF HOUSEHOLDS WITH MONTHLY INCOME OVER 30K IN DELHI & NCR.



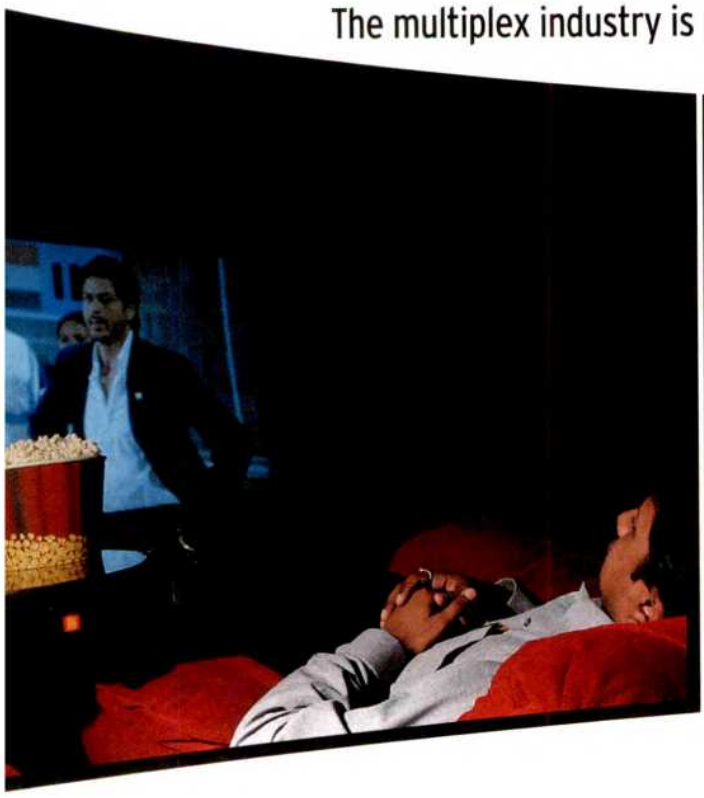
MAIL TODAY

News for the new world

Source: IRS 2011 Q4

SHOW

The multiplex industry is poised for explosive growth, with nearly 500



When it comes to reel life matters, India is way ahead of the rest of the world. With over 1,000 movies being churned out every year, it tops the film production charts – never mind that the vast majority of those flicks are box-office duds. India is also No.1 when it comes to attendance, with over three billion tickets sold a year. Where it lacks, though, is in the number of screens – there are just 10 screens per million people, unlike in the United States, where there are 120 per million. That unmet opportunity is what multiplex chains are lining up to seize.

The Multiplex Association of India estimates that there are around 900 multiplex screens in India. By April next year, the count will increase to 1,350. At an average cost of ₹2 crore per screen, that is an investment of ₹900 crore. Nikhil Vora, MD of IDFC Securities, believes the industry is well capitalised to keep pace with its growth projections.

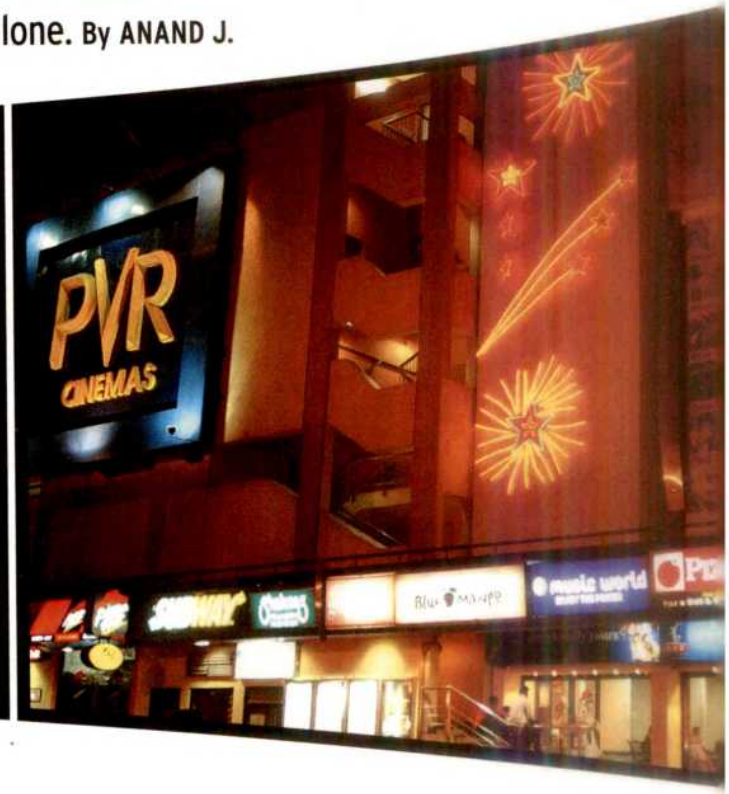
Leading the charge is PVR Ltd, which says it will add around 127 screens by April 2013. Inox Leisure Ltd will have 80 more, while many smaller and regional players, such as DT Cinemas and Wave Cinemas are also expanding. Despite its parent, Reliance Media Works, being saddled with ₹1,912 crore of debt, Anil Ambani's Big Cinemas, the industry leader by screen count, will add 30 screens. And Canadian company Imax Corporation is re-entering the Indian market this year in collaboration with Chennai-based SPI cinemas, which operates the Sathyam chain of cinemas.

But the real screen star will be Cinepolis, the world's fifth-largest multiplex chain. The privately held Mexican company plans to make investments of more than ₹350 crore in India by the end of 2012. Cinepolis, which commenced operations in India in 2007, currently has 32 screens, mostly in Tier II cities. It plans to add 100 more by this year end and take its total count up to 500 by 2016. Of these, 440 have already been signed up with mall developers. "We are

10
No. of screens per million people in India

TIME

screens set to be added in the next year alone. By ANAND J.



not in a race. We are only looking at opportunities," says Milan Saini, MD of Cinepolis's India unit.

So what is behind this sudden explosion? Seen alongside annual ticket sales, which have been declining steadily over the years with the advent of satellite television, DVDs and the like, the ambitious plans seem all the more baffling. To understand the paradox, one need look no further than the neighbourhood mall.

The growth in multiplexes over the next year, indeed, in the years to come, will be driven by malls. Multiplexes are an integral part of malls today. During the economic slowdown, the retail sector was hit hard and mall construction pretty much came to a standstill. But construction has resumed now and many malls are set to open. "The retail mall space was slow in 2008, 2009 and 2010. But supply started coming in from last year and is going to continue for this year as well," says Anshuman Magazine, Chairman and MD of CB Richard Ellis, South Asia, a real estate consultancy. Adds Swaroop Reddy, Director, SPI Cinemas: "We didn't get many properties on time. They started at different times and are getting delivered over a short period."

The association between multiplexes and malls is symbiotic in nature, as both entities get to feed off each other's footfalls. "Malls are designed around multiplexes. So, it is 100 per cent sure (that a multiplex will open), once they sign the deal," says Ashish Pherwani, Senior Manager of Advisory Services at Ernst & Young. If anything, it is the mall owners who are wooing the multiplex owners. "Every mall wants to associate with us because our presence increases rentals by 20 per cent," says Pramod Arora, Group President, PVR. He says the company's expansion slowed over the past three years as there were not enough good malls coming into the market.

Real estate developers set up multiplexes in their malls primarily to attract more footfalls. These include DLF, India's largest real estate firm by market capitalisation.

120
No. of screens per million people in the US

with its DT Cinemas. The same goes for Wave Group (Wave Cinemas) and SRS Ltd (SRS Cinemas).

The security deposit plus rental system has collapsed in most malls, barring a few established ones in prime locations. Revenue sharing deals are now the norm. This has reduced the initial cost of opening new theatres. "It's a collaborative model, based on the ability to pay. It's more sustainable," says Saini of Cinepolis.

Conversely, multiplex chains are no longer looking at independent properties. Big Cinemas and some others tried that route, acquiring single screens and converting them into multiplexes. According to Pherwani, this produced only mixed results. "The high acquisition cost combined with availability of cheap malls has made single-screen properties less attractive."

Some are still trying, though. According to UFO Moviez, which provides digital screens to theatres, around 500 standalone cinemas have been converted into multiplexes over the past decade. The trend is set to continue this year as well.

There are around 10,500 single screen cinemas today, according to the Single Screen Association. A decade ago, that number stood at 13,700. Many have been forced to shut shop and several more will have to follow suit.

South India, where almost 60 per cent of the screens in the country are located, is still largely dominated by single screens. In part this is because Southern cities have been slow in embracing malls. That is set to change. According to CB Richard Ellis South Asia, 12 malls are ready for delivery in the South this year and another eight will be ready next year.

Ultimately, it is a revenue game. According to ticket sales tracker BoxofficeIndia.com, multiplexes accounted for 65 per cent of the box-office collections of the top 50 Hindi films last year. They may be ten times more in number, but single-screens accounted for only 35 per cent of collections.

Expansion will also give multiplexes some bargaining clout with film distributors, food and beverage (F&B) suppliers, and mall developers. They will also be in a better position to strike lucrative advertising deals with large companies rather than depend on smaller revenues from ads run by local businesses.

The overall film exhibition industry's growth has been steady, if not stellar. It grew 11.5 per cent in 2011 to ₹7,000 crore, according to the KPMG Media and Entertainment industry report, 2012. The industry expects the Southern and Eastern markets to drive the next phase of growth, the report adds.

For multiplexes, any city with a population of one million or more, with malls, is good enough to open a property. In the South, they are set to come up in Coimbatore, Madurai, Mysore and Kochi, among other cities. PVR will open around 80 screens in South India over the next three years, while Cinepolis will have 30 per cent of its screens there.

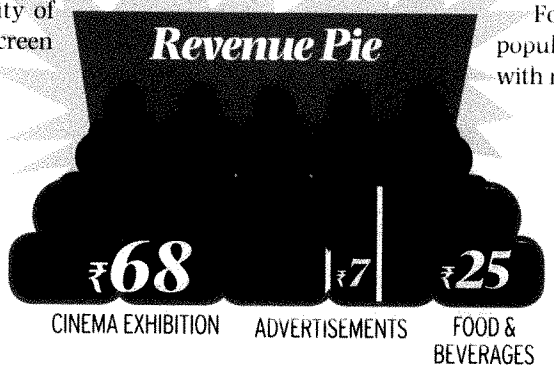
Up North, chains such as Glitz Cinemas is targeting smaller towns such as Muzaffarpur in Bihar and Muzaffarnagar in Uttar Pradesh. "If you get (a good) location, you become the leader in that market," says Sumant Bhargava, MD of Stargaze Entertainment, which operates cinemas under the Glitz Cinemas brand.

Cinepolis will also open three megaplexes – more than 10 screens in one location – this year, in Thane (14 screens), Pune (15 screens) and Kochi (11 screens). "A consumer will never return without a ticket and he will have more choice in terms of timings and availability of regional movies," says Saini.

Megaplexes may benefit when a film has a wide release. For instance, Don 2, *Bodyguard* and *Ra.One* were released with over 2,500 prints. Assured of a ticket, moviegoers may flock to a megaplex. This

Who gets what
Per ₹100 ticket

Revenue Pie



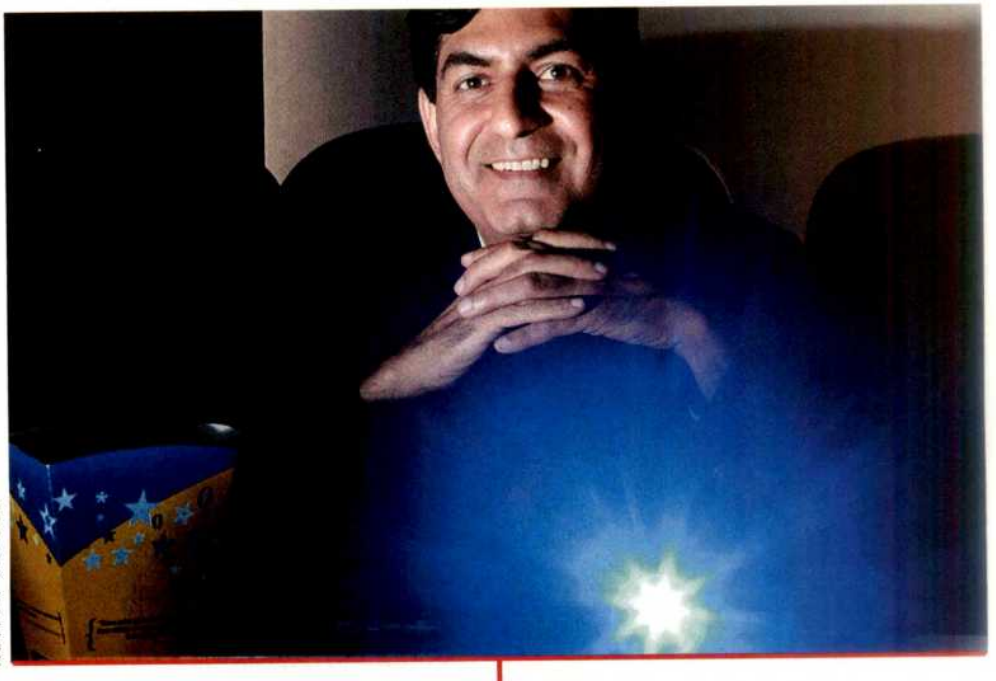
Margin Map

30% EXHIBITION

65% FOOD & BEVERAGES

80% ADVERTISEMENTS

Source: Industry Estimates



ADITYA KAPOOR

could make a big difference during the first week of a film's release, always the most profitable. First-week collections accounted for 60-70 per cent of total box-office collections for the top 50 Hindi films last year.

Still, while they get the best films and have much higher ticket prices, multiplexes are not assured of profits. Margins are constantly under pressure as they have to share revenue with distributors and mall owners and deal with high costs and taxes. On every ₹100 ticket, ₹20 goes towards entertainment tax. Of the remaining ₹80, a film's distributor gets ₹36. That leaves the multiplex with ₹44.

But it also has to cope with high operations and maintenance costs as well as fixed costs. This has a telling effect when a film is a dud. "It is a capital intensive industry and difficult to monetise. Growth is a double edged sword. Unlike other retailers, our cost is fixed," says Sunil Punjabi, CEO of Cinemax.

The picture is brighter on the F&B front, with margins at around 65 per cent and advertisements, with margins of 80 per cent. "If we look at balance sheets, most of the profits of big multiplexes are what they earn as margins in F&B as well as through advertising," says Ajay Mehta, CEO of Interactive TV, a cinema advertising agency. Globally, Cinepolis generates 48 per cent of its revenue from non-ticketing activities, says Saini.

Exhibition alone is not enough to survive, says Sanjay Kaul, president of M2K multiplexes in the National Capital Region. Standalone cinemas have it far worse. And that is one of the reasons more than 3,000 screens of them have closed down over the last decade.

Still, things are getting better, says Abneesh Roy, Associate Director (Research), Edelcap Securities. He points out that profitability has been improving over the last two years. For instance, PVR's net profit rose from ₹17 crore in April-December 2010 to ₹42 crore in the same months of 2011. Cinemax's net income increased from ₹15 crore to ₹21 crore over the same period, while Inox, the largest multiplex by way of revenues, has seen its net profit go up from ₹12 crore to ₹20 crore.

Revenue sharing with malls is a sustainable model. It is based on the ability to pay.

Milan Saini,
MD, Cinepolis India

Inox, which acquired Fame multiplex three years ago, has bounced back after a period of consolidation. Return on investment may drop, but it will continue to post profits, says Upen Shah, VP, Finance.

But not everyone is convinced that there are better times ahead for the multiplex segment. Leena Jaisani, head of industry lobby FICCI's entertainment division, doubts there will be enough good content to fuel this explosion. After all, whether it is in a standalone cinema or a multiplex, only a good film will attract people. ◆

Send your comments to editor.bt@intoday.com

Getting High

SHEKHAR GHOSH

Executive Summary:
In 2007, Bacardi India was floundering. Enter Mahesh Madhavan. After successfully transforming the fortunes of Bacardi Thailand, he took on the challenge of repeating the feat in India. Madhavan quickly revamped the company, hiring new talent, firing underperformers and steering it to a new set of long-term goals. In less than five years, he transformed Bacardi India – its turnover has tripled and it is growing 40 per cent annually.

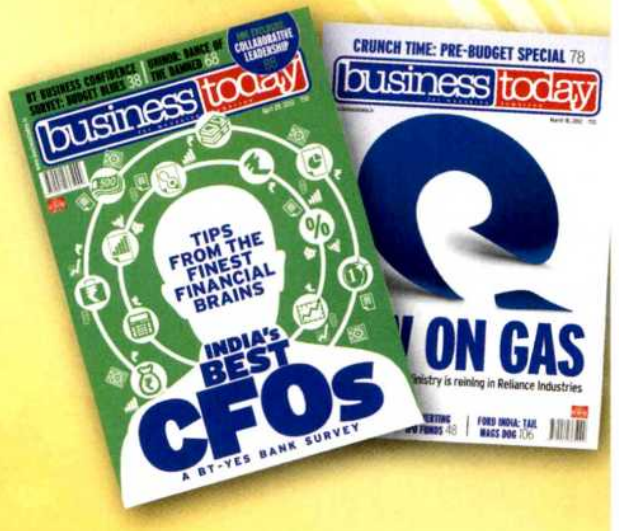
By ANUMEHA CHATURVEDI

THE GOLDEN LEAGUE
Six decades of
custom-tailoring
ONLY AT FLAGSHIP STORES
International quality bespoke tailoring is now centralised and under the supervision
of best craftsmen & technicians, only available at Diwan Saheb Flagship stores.
Diwan Saheb
WESTERN FORMALS • ETHNIC WEAR • ACCESSORIES • WORLD-CLASS FABRICS & CUSTOMIZED TAILORING
FLAGSHIP STORES: DELHI: South Ex.-II, Ring Road • Karol Bagh, Ajmal Khan Road • JAIPUR: Ganpati Plaza • LUDHIANA: Westend Mall
ONLINE STORE: www.diwansaheb.com • Info@diwansaheb.com • Customer Care: 09311190001
Available at select
Diwan Saheb stores
CORZETTI
Vermillion

Subscribe to Business Today Clinch the smartest deal in seconds!

THE INDIA TODAY GROUP

FREE with 2 years Subscription: Business Today Gift Set worth ₹650/-



business today

FOR MANAGING TOMORROW

Term	No. of Issues	You Pay (₹)	You Get
2 Years	52	1560	Business Today Gift Set worth ₹650/- Best Buy
1 Year	26	~~780~~ 695	11% Discount on the Cover Price

Please fill in the form and send it back to us in the address mentioned below

Business Today Subscription Form

Send form with payment to LIVING MEDIA INDIA LTD.
A-61, Sector 57, NOIDA-201301 (U.P.)

Yes! I would like to subscribe for:

☐ 2 Years (52 Issues) : Pay ₹ 1560/- Get Business Today Gift Set worth ₹ 650/- Best Buy

☐ 1 Year (26 Issues) : Pay ₹ ~~780/-~~ ₹ 695/- Get 11% Discount on the Cover Price

Name..... Address.....

.....City.....

Postal Code.....Tel./Mobile.....E-mail.....

Payment Details:

☐ Charge my Credit Card ☐ VISA ☐ MasterCard ☐ American Express

Card No.....

Expiry.....Signature.....

Payment Enclosed: ☐ Cheque ☐ DD No.....(in favour of Living Media India Limited. For non-Delhi cheques, please add ₹ 50/

Subscription Terms & Conditions: This authorises us to communicate about our products & promotions through mail/phone/printed material / email etc. This authorisation is irrespective o my instruction elsewhere of not to be contacted or informed over phone/email/mail etc. ☐ Cover Price of BT is ₹ 30. ☐ Special Rates and offer valid in India only for a limited period. ☐ Allow 3-weeks for processing of subscription ☐ Your free gifts will reach you in about 6 weeks of commencement of your subscription. ☐ Add Rs. 50/- for non-Delhi cheques. ☐ Superscribe your nam and address on the reverse of the cheque/DD ☐ All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only. ☐ Business Today can revise th offer any time at its discretion without any prior intimation. ☐ Subscription can not be cancelled once the free gifts are despatched. Terms & conditions apply.

To Subscribe - Email: wecarebg@intoday.com or Call Toll Free No.: 1800 1800 100 or (0120) 2479900

When Mahesh Madhavan was appointed Managing Director of Bacardi India in August 2007, the company was on a downward spiral. Bacardi Superior, a white rum that constituted about 95 per cent of its spirits portfolio, was losing market share at the rate of eight per cent annually. And while the industry was growing 18 per cent a year, Bacardi India was lagging behind at 11 per cent. (Retail consultancy Technopak estimated the size of the liquor market in India to be $1.64 billion in 2006.)

"The loss in market share was because of many things," recalls Madhavan. The global parent had cut investments in India between 2004 and 2007, and the brands started to decline. "Investments were diverted to markets providing a better return on capital." Sensing a decline, about 66 employees quit in those three years. For a company whose headcount was 71 when Madhavan joined, that was massive.

While conventional wisdom would call for loyalty rewards, some of those who remained would face the axe. "The team was a mix of different types. Some were very passionate and talented, and some were floaters, who were sticking around simply because they couldn't get a better job elsewhere," says Madhavan. "We had to get rid of the deadwood and inject some fresh energy, ideas and passion."

Madhavan, who was the Managing Director of Bacardi Thailand prior to his India stint, was not new to people problems. Bacardi Thailand had a turnover of baht 300 million (around ₹32.2 crore then) when Madhavan joined it in 2000. The problems there also had to do with people. "I got a lot of people off the bus, and a lot of people on the bus," he says. By the time Madhavan left, the company had a turnover of baht 1.2 billion (around ₹129 crore). Perhaps, it was because of this turnaround that he was picked to steer the Indian operations.

There were problems aplenty in India, most of which were on the human resources (HR) front. The company did not have an HR team. There were no clear processes, and no distinction between high and low performers. "If I'm not performing, and you're doing a fantastic job, you'll wonder why you're breaking your back. So we had to initiate a culture based on performance," he says.

Madhavan also needed to hire people. But he faced budgetary restrictions and had to find other ways to bring in talent. The marketing director position, for instance, was vacant. But instead of a replacement, he hired Arvind Krishnan as a marketing controller in February 2008, to work alongside Gautam Gangoli, who had joined a year earlier.

Krishnan joined the company from Luxor, a writing instrument maker, where he was the Senior Vice President for Business Operations. "Bacardi was in the process of charting a new career path, and the challenge of turning things around attracted me to the company," he says. Krishnan is now Vice President and Brand Managing Director for Bacardi's Dewar's whiskey in the United States.

"A marketing director may not have joined the company then, as Bacardi was not doing too well and did not have resources. But for mid-level professionals like Krishnan and me, it was an exciting opportunity to turn things around and grow," says Gangoli. "Splitting the portfolio between two strong mid-level marketing controllers who directly reported to Madhavan helped," he adds.

Madhavan also initiated discussions with consulting firm Right Management in November 2008 to give the company a clear focus. "Mahesh was clear about where he wanted to take the organisation but was not sure whether the team would be able to do it. He was extremely transparent," says Chaitali Mukherjee, Country Manager, Right Management.

Bacardi India's global parent wanted long-term business targets, from 2008 to 2014, and the initial meeting with Right Management was about business goals. "But, as we continued our discussions, we realised that the probability of success depended on the people who would chase them," says Mukherjee.

In February 2009, a vision was

Message in a Bottle

THE PROBLEM
Sales of Bacardi's top brands were declining. Market share was falling

THE CHALLENGE
People in the company lacked the skills needed to drive performance

THE SOLUTION
A complete revamp of HR processes

THE RESULT
The buzz is back and so are sales

PEOPLE AGENDA

There is considerable learning in this case, not just for similar companies, but for India Inc as a whole. Making the 'People Agenda' the top boss' agenda is the starting point. Bacardi appears to have got its basics right. It has tackled people issues very boldly and effectively, unlike many organisations, which flirt around people issues. It has addressed the core, providing answers to the universal questions that every employee asks: "Tell me what I am supposed to do", "Tell me how I am doing", "Help me to perform better". These are fundamental questions in any organisation worldwide.

Full marks to Mahesh Madhavan and his team. In India, most organisations shy away from tackling these issues head on and carry on believing (rather erroneously) that they will get addressed somehow. They often forget that it is not the process but the "spirit behind the process" that needs to come alive. That is a self-limiting belief, which, if not challenged, can lead to the sort of situation that Bacardi faced in 2006/07.

Another great takeaway for me is the close cooperation between Madhavan and the HR consultant. The growth story highlights the power of line and HR working together to create a magical workplace, where both results and people-care not only co-exist but actually flourish. This partnership is a rare phenomenon. Instead, what is common is the lament from either side about how uncaring and incapable the other is.

It takes only that little step to come together but alas, we see it rarely.

"Bacardi has tackled people issues very boldly and effectively, unlike many organisations"

SRIDHAR GANESH
Director HR and Lead Director
Diversified Business Group,
Murugappa Group

drawn up for the company, detailing what it wished to achieve by 2015. Clearly defined goals and targets were set for Madhavan, those reporting to him and function heads across verticals, such as sales, HR, and marketing.

The leadership competency – the parameter of the 'right leader' for Bacardi India – was defined in line with the global organisation's requirements as well as local market requirements. "Using that framework as the base, we assessed close to 30 key leaders to understand their individual strengths and challenges," says Mukherjee. People who did not match up were asked to leave.

Among those facing the axe was a senior executive who headed a function and reported to Madhavan. "It was a tough decision, as Madhavan was facing a leadership crunch, but he decided to do away with him," says Mukherjee.

The company's existing talent was also nurtured with a 12-month executive coaching programme. Eight key leaders, including Madhavan, Gangoli and Sanjeet Randhawa, who was Director, Finance, were coached individually for larger roles by senior business coaches from Right Management.

The consultancy's team looked at past performance data and drew up a Performance/Potential matrix for each executive. People who scored high on both parameters were identified as top

In 2009, a vision map was drawn up, detailing what Bacardi India wished to achieve by 2015. Clear targets were set for senior managers.

People who performed well and had good potential were identified as top talent. They were groomed for bigger roles in the company.

talent. Those who scored high on one of the axes, or who were in key leadership roles but came low on potential were identified as people who needed to be worked with.

Through these assessment systems, Bacardi India was able to restructure the organisation in terms of interim and long-term restructuring. Existing talent, including Gangoli, was groomed for bigger roles and new talent was hired when the need arose.

The sessions were held once a month, and each leader had a different coach. "I was someone who was impulsive and hot headed. The coaching taught me how to think and act like a CEO, adapt to different cultures, and look at things from a 360 degree angle," says Gangoli. "I learnt about the *paanwaala* syndrome from my coach Sudhir Chand. A *paanwaala* manages everything single-handedly. I learnt to be able to handle things single handedly and I still use this approach when I am stuck," he says. Gangoli was made Managing Director of Bacardi Thailand in August 2011, and has now moved to China as a Commercial Director.

With investments picking up from 2010, Bacardi India started introducing more brands and hiring people from strong and diverse professional backgrounds. For instance, the new HR Director, Saurabh Upadhyay, was hired from Nokia in 2010. The new Sales Director came in from Pernod Ricard.

The company also instituted more town hall meetings and ensured better communication with the leadership team

VISIONARY LEADERSHIP

Bacardi is a case of good turnaround management. The company was losing market share rapidly, attrition rates were impossibly high, and people were demoralised. In such a situation, Mahesh Madhavan brought a 'fresh eye' to view the situation. Setting a vision for the organisation (with the support of its consultant) was a crucial step. Any vision/mission exercise brings the team together. Madhavan participated in the exercise along with the team and together they charted the path to be taken in the medium term. This sort of exercise builds morale and people bond together to build their collective future. Above all it builds clarity of direction and trust, and is a good way to start getting the organisation back on track.

The other interesting thing Bacardi did was to bring performance-reward clarity, which motivated high performers to reach tough targets. Clarity has a powerful and positive effect on performance.

Potential identification and talent management was another important step. Identifying the right talent and placing it in the right role can dramatically increase efficiencies and returns. People were convinced they were valued and being prepared for bigger roles. One of the biggest mistakes companies make is to not take the role-talent fit seriously, thereby living with sub-optimal performance.

The next challenge will be in sustaining the levels of enthusiasm and interest across the board. This is because, in any difficult situation, the troops get together and pull things through, but after a while monotony may set in and reward/recognition practices will need to be creatively addressed.

"The next challenge for Bacardi will be in sustaining the enthusiasm levels and interest across the board"

ASHA BHANDARKER
RML Chair Professor of Leadership Studies & Dean, Research and Consulting, MDI, Gurgaon

through offsite sessions. In addition, it rationalised performance bonuses and salaries, rewarding top performers and letting go of the bottom five per cent.

Today, Bacardi India's revenues are growing 40 per cent annually, outstripping the industry average of 17 per cent. The company has grown more than three times over the last five years. And attrition rates have come down to 12 per cent.

In 2007, it had just two senior leaders: Madhavan and Randhawa. Today, Bacardi India has a full-fledged leadership team in place, including function heads for sales, marketing, human resources, operations, and finance.

Many leaders from Bacardi India have gone on to take up larger, global roles. While Gangoli headed East, Krishnan shifted to Miami, and Amit Dutta, a brand manager, moved to London this year as Global Brand Manager in Bacardi's travel retail division.

Madhavan feels vindicated. "It takes around four to five years to turn a company around. These postings show the global team recognises Indian talent," he says with a sense of satisfaction. ◆

Today, Bacardi India is growing 40 per cent annually, outstripping the industry average of 17 per cent. Attrition rates have come down to 12 per cent.

Did Bacardi India address the problem effectively? Would you have approached the company's HR challenge any differently? Write to us at btcasestudies@intoday.com. Your views will be published in our online edition, and the best comment will win a Harvard Business School Press pocket mentor. Previous case studies are at www.businesstoday.in/casestudy.

BEST OF THE LOT

BT **receives many responses to its case studies. Below is the best one on the *Kolaveri Di* case study (April 1, 2012)**

Within three weeks of its release on YouTube, the *Kolaveri Di* video garnered 19 million views and was shared by 6.5 million Facebook users. Having racked up over 45 million views so far, the video has proved with its success that viral marketing works in India, too. The case study examined what made *Kolaveri Di* a viral sensation.

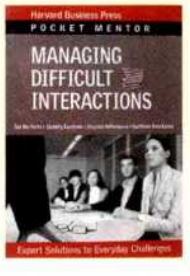
Poonam Chhabria is a student at the Great Lakes Institute of Management. She wrote:

In this age, when businesses are moving online, it is imperative that marketing for businesses also moves online. Viral marketing is perhaps the most important segment in this.

Consumer-generated content accounts for a significant chunk of online content, and for something to go viral, consumer intervention is needed. Considering the growth in social media and its usage, businesses will strategically leverage this segment, depending on their product/service/target market.

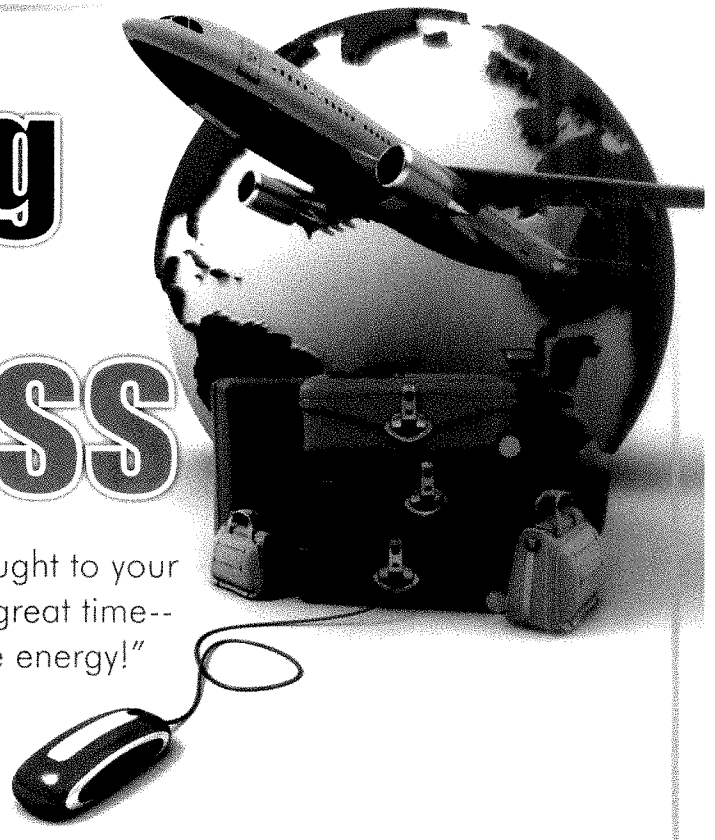
Viral marketing is as good as any other medium of marketing and needs to be thought of in combination with other channels. Ultimately, however, it is the superiority of the product/service that will determine whether it is profitable or loss-making, and not just the viral campaign.

Kolaveri Di became a major hit because it was for the masses. It was not catering to a specific market segment. Secondly, it spread because it built on the feelings of its consumers, who are emotional beings. Playing on that string (young love) causes a great amount of reverberation. Thirdly, the fact that consumers can play an active role in the campaign by co-creating is a huge incentive for the growing attention-seeking population today. Lastly, what one cannot discount is the quality of the entire production, without which the initial viral spread would not have happened.



Chhabria wins a Harvard Business School Press pocket mentor for her views

Travelling on Business



If you give just a little bit of creative thought to your travel plans--you can end up having a great time--and coming home with lots of positive energy!"

Business trip

Why do companies from a world of different backgrounds choose Corporate Traveller? It's because we're focused on managing individual company needs, within individual cultures. And culture can impact everything, from customized reporting to personal travel preferences. Corporate Traveller's clients represent many different types of industry, but they all have one thing in common - they want person-to-person travel expertise to organize and fulfill their travel requirements in a cost effective manner. Employees of different countries usually go on business trips. Any firm chooses only best export for it. Companies can arrange such trips both in and outside the country. There are many reasons of going on business there are to make a contract, to discuss different terms of delivery, payment or shipment, to have tests, to do consultancy, to improve once professional skills, to work etc. Represent - natives of the companies make preliminary arrangements in order to meet. Usually itinerary of the trip is carefully planned by the head of the department or an executive. A business trip can be a long term or a short term one. Often an employee must give a financial report to the chief. As a rule businessman has a chance to go sightseeing or to visit theatres, or just have some rest after the working day. They also try to buy gifts or presents for relatives, friends and colleagues business trips contribute to extension of business relationship of a company and help to succeed in the world market. Today business is international, so business people often have to travel. On a business trip people may meet colleagues and business partners for a first time. It is usual for colleagues from different countries to experience cultural difficulties. In other words, they may be surprised by foreign social conventions that is the different ways that other nationalities or different cultures do things. Management styles are also differed from country to country. In some cases it is useful to get a piece of advice from a special agency, consulting on the questions of international business. Business trips are very important nowadays because face to face contracts are more valuable and useful.

In the new world of on-line travel, Quest2travel.com is an emerging but well entrenched travel services company. A Mumbai based, IATA certified web-based Corporate Travel Management Company, Quest2Travel helps Corporates conduct their entire nationwide employee travel through an on-line system.

The challenge for corporates today is managing, tracking and controlling the cost of employee travel. This is not possible in the world of individual regional travel agencies, all working in a decentralized manner, independent of each other and many using manual methods.

Quest2travel's cloud computing model eliminates the need to have multiple travel agencies across regions and makes it easy for customers to plan and book their travel in real-time thru the on-line travel portal or a 24 hour help desk via a toll-free number.

What distinguishes Quest2travel from all other on-line travel companies is their customizable software. It allows them to define the entire organization structure for any corporate with details such as divisions, departments, employees, designations, locations, travel policies, hierarchy levels, authorization/approval paths, preferred vendors, etc. and offers an entire workflow for travel procurement - from requisition and approval - to travel policy compliant online booking - to invoice generation, expense management, reimbursement and final settlement.

By automating, centralizing and streamlining every aspect of employee travel, their system can substantially reduce the Corporate's total travel spend.

Winner of several industry awards, Quest2travel's solution is well proven with 190+ corporate customers including the entire Aditya Birla Group, Bharti Airtel, Eureka Forbes, HDFC Ergo, HDFC Life, IDBI Federal, RBI, Thermax, Times of India Group, Yes Bank, etc., all currently accessing their services from over 5000 locations all across India.

The Indian Business Traveler is travelling extensively across the length and breadth of not only the country but also globally. The fact that most of them are so to say virtually living out of a suitcase. With the plethora of options available they can afford to be selective about how they travel and where they stay.

PHOTOGRAPHS BY: ADITYA KAPOOR & SHEKHAR GHOSH/www.indiatodayimages.com

business today BEST CFO AWARDS YES BANK

NURTURING THE

Ministers Pranab Mukherjee and M. Veerappa Moily give away the awards to India's best CFOs. By ANAND J.

She is the first winner of an award instituted this year – that of Best Woman Chief Financial Officer (CFO). Resplendant in a green-and-gold sari, Jyotsna Sharma, CFO and Vice President (IT), NRB Bearings, explained why women make good CFOs, especially during economic slowdowns like the present one. "We are used to working under constraints," she said. Why then are women CFOs still a handful? "We need more visibility," she said. "We need more events like *Business Today* CFO awards. Only then will role models emerge to inspire and motivate more women to join our ranks."

The occasion was the third edition of the *Business Today*-YES Bank Best CFO Awards held at ITC Maurya, New Delhi, on April 11. As in the previous two years, this time too, the chief guest was none other than the 'CFO of the country', Finance Minister Pranab Mukherjee. Minister of Corporate Affairs M. Veerappa Moily, who is trying hard to enhance corporate transparency

Winners all: *(From left to right)* CFOs N.H. Bhansali (Emami), V.S. Parthasarathy (Mahindra & Mahindra), Ravi S. Gupta (Jubilant FoodWorks), S.L. Bajaj (current CFO of Sesa Goa), Amit B. Jain (Zydus Wellness), YES Bank MD & CEO Rana Kapoor, Ramesh Swaminathan (Lupin) Finance Minister Pranab Mukherjee, Jyostna Sharma (NRB Bearings), Tanmoy Chakrabarty, (Vice President, TCS), Corporate Affairs Minister M. Veerappa Moily, India Today Group Chairman and Editor-in-Chief Aroon Purie, C. Ramakrishnan (Tata Motors), V. Ramesh (Carborundum Universal), Asok Kumar Sinha (Coal India), Shobinder Duggal (Nestle India) and Jayesh Merchant (Asian Paints)

MONEY PLANT

by working closely with CFOs of the country, was the guest of honour. Mukherjee and Moily jointly gave away the awards.

All the prize winners attended, barring TCS CFO S. Mahalingam, who was represented by his colleague and Vice President Tanmoy Chakrabarty. The hall was full to overflowing with guests by the time Mukherjee arrived.

"We are passing through a difficult time," said Mukherjee, speaking on the occasion. "But I am an optimist... because of the experience I have had over the years." Mukherjee, whose political career spans more than four decades, including three stints as finance minister, should know. During one such stint in the early 1980s, when

Delighted: India Today Group's Chairman Aroon Purie addresses the audience

Happy reading: (From left) Rana Kapoor, Pranab Mukherjee, Veerappa Moily and Aroon Purie, minutes after the Best CFOs special issue of *Business Today* is unveiled at the awards ceremony

CFO No. 1: Tata Motors's CFO C. Ramakrishnan, who won the awards for Exemplary All Round Performance and Best Transformation Agent (Large Companies)

Indira Gandhi was prime minister, he brought inflation down from 16 to 2.5 per cent.

Mukherjee added that there was no reason to lose either heart or confidence in the country's economy. But a transformation would not come easily. "We will have to be tough," he added. "We cannot delay the process of taking hard decisions."

Mukherjee noted that the continuing sovereign debt crisis in some European countries was hurting India's exports. India, however, had been diversifying its major export markets beyond Europe and the United States over the last few years. He also emphatically denied the oft-heard charge that there was a 'policy paralysis' in the government, but pointed out that a broad-based consensus had to be reached among all stakeholders before taking major decisions.

Greatly appreciative of the CFO awards, Mukherjee said they were a means by which society acknowledged the silent contribution of CFOs to its well being. In his speech, Corporate Affairs Minister Moily was equally effusive. "The CFO is increasingly becoming the chief flag bearer of corporate transparency, governance, corporate social responsibility and also protecting shareholders' money," he said.

All ears: The rapt audience at the Best CFO Awards ceremony at ITC Maurya, New Delhi

Moily also noted that two decades of economic reforms had miraculously transformed the economy. But he added more remained to be done. "It is now time for governance to supplement the change," he said. "Governance perhaps still needs transformation." Moily assured the new Companies Bill would be implemented soon.

Moily went on to emphasise that the impressive growth trajectory India had achieved would not have been possible but for the achievements of some of the bigger, yet poor states. He urged industrialists to invest more heavily in the 300 districts of the country that were industrially barren, so India could achieve its full potential.

India Today Group Editor-in-Chief Aroon Purie said India's CFOs were doing an exceedingly good job of steering their companies through rough waters. YES Bank Founder, MD and CEO Rana Kapoor said CFOs were required to act as the checks and balances of CEOs.

Business Today Editor Chaitanya Kalbag briefed the audience about the rigorous methodology followed while choosing the best CFOs. In the first round of sifting, the financial performance of companies on the *BT* 500 list for the last three years was considered. The financials were then analysed closely by *BT*'s knowledge partner YES Bank. The second round comprised a perception survey of brokers and analysts by Ipsos India. In the third and final round, a distinguished panel of experts chose the winners after much discussion.

There were 14 categories of awards. The prize for the best overall CFO went to C. Ramakrishnan of Tata Motors. (See *www.businesstoday.com/cfo-winner* for his achievements.) "It is a nice feeling; a humbling experience," he said. Like many of his peers, he, too, credited his team entirely, "I am here only to collect the trophy on behalf of the company and my team," he added.

Ramesh Swaminathan, President Finance and Planning, Lupin, said the *BT*-YES Bank Awards were much valued by the CFO fraternity. Amit B. Jain, CFO of Zydus Wellness – at 31, one of the youngest CFOs – said while CFOs may have differences with their CEOs, the latter appreciated their efforts to keep the company's health sound. Many said the awards had inspired them to work harder and return for an encore next year. India Today Group CEO Ashish Bagga proposed the vote of thanks. The research partner for the event was Ipsos India and event partner was Black Dog. ◆

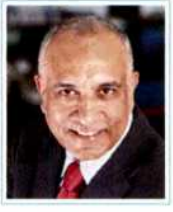
Send your comments to editor.bt@intoday.com

INDIAN BUSINESS SALUTES THE WEALTH OF EXCELLENCE IN FINANCIAL MANAGEMENT

Best CFO – Exemplary All Round Performance
Best Transformation Agent (large)

C. Ramakrishnan
CFO, Tata Motors

Best CFO (MNC)



Shobinder Duggal
Director – Finance & Control
Nestle India

Best CFO (PSU)

Asok Kumar Sinha
Director – Finance
Coal India

Best Woman CFO

Jyotsna Sharma
CFO, VP – IT
NRB Bearings

Sustained Wealth Creation (large)

Jayesh Merchant
CFO & Company Secretary
Asian Paints

Sustained Wealth Creation (mid-size)

Ravi S. Gupta
Director – Finance & CFO
Jubilant FoodWorks

Remarkable Leverage Management (large)

Ramesh Swaminathan
President – Finance & Planning
Lupin

Remarkable Leverage Management (mid-size)

V. Ramesh
President - Abrasives,
Carborundum Universal

Consistent Liquidity Management (large)

Sesa Goa

Consistent Liquidity Management (mid-size)

Amit B. Jain
CFO
Zydus Wellness

Best Transformation Agent (mid-size)

N.H. Bhansali
CEO – Finance,
Strategy & Business Development
Emami

Enhancing Competitiveness through M&As

V.S. Parthasarathy
Group CIO, EVP – Group M&A,
Finance and Accounts
Mahindra & Mahindra

Commitment to Triple Bottom Line

S. Mahalingam
CFO & Executive Director
TCS

THE INDIA TODAY GROUP

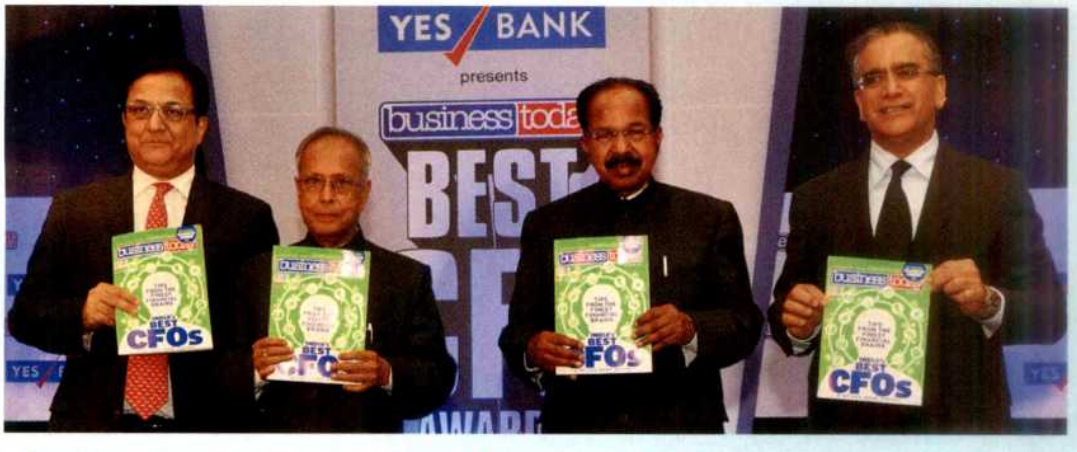
YES BANK

presents

business today

BEST CFO AWARDS

Congratulations to the winners of **Business Today Best CFO Awards 2012**, presented by **YES BANK**. Your competence in creating value, given an adverse global economic environment, reflects well on the institution of Indian financial management. Kudos to all, and thank you partners and attendees for making the event memorable.



Rana Kapoor, Founder, MD & CEO, YES BANK; Chief Guest, **Pranab Mukherjee**, Hon'ble Union Minister of Finance; Guest of Honour, **M. Veerappa Moily**, Hon'ble Union Minister of Corporate Affairs; **Aroon Purie**, Chairman and Editor-in-Chief, The India Today Group, at the unveiling of the Business Today Best CFO special issue.

Event Partner

BLACK DOG

CALCUTTA UNIVERSITY CENTRAL LIBRARY

MONEY

EXPERT VIEW
COPPER, ALUMINIUM AND NICKEL PRICES IN INDIA MAY DIFFER SIGNIFICANTLY FROM GLOBAL TRENDS

Touching Base

In our previous issue, we analysed the World Bank's outlook on farm commodities. Now, we weigh its take on base metals.

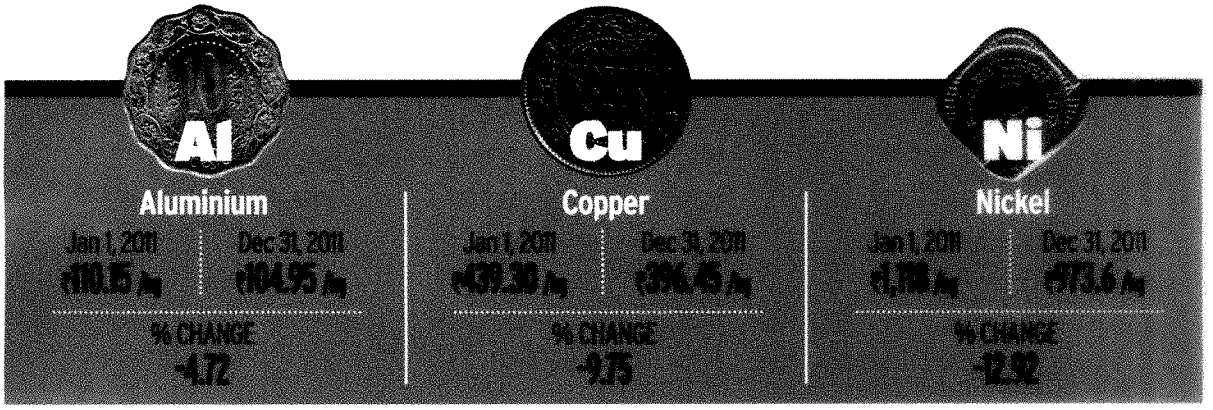
By **RAHUL OBEROI**

ADITYA KAPOOR

You need nerves of steel to invest in base metals this year. The immediate future for copper, nickel and aluminium does not seem rosy. However, in the long term, these metals, barring nickel, could give good returns. A World Bank report, *Global Economic Prospects*, released in January says the average price of these metals is expected to fall six per cent this year. The reasons: lower demand than before and rise in output as new projects go on stream. In 2011 too metal investors failed to get good returns due t a fall in demand as the European Union (EU) ar the United States went into recession and Chir tightened its monetary policy. The London Met Exchange (LME) index fell 21 per cent, and sto at 3,306 on December 30, 2011. The inde tracks six metal contracts – aluminium, coppe lead, nickel, tin and zinc.

How will the domestic scene pan out? Renisha Chainani, Commodity Manager, Capital Markets (individual clients), Edelweiss Financial Services, says: "The debt crisis in Europe and the

SILVER LINING Indian experts feel prices may rise later this year on increased demand and falling ore grades



uncertainty in the US are dampening prices. Any positive development in the EU and the US will be a plus." Below, we compare and contrast the World Bank's view and that of local experts on the likely movements of copper, aluminium and nickel.

COPPER

In 2011, copper lost 21 per cent on the LME. It fell $2,011 per tonne during the year and was at $7,557 per tonne on December 30, 2011. It had touched a high of $10,160 per tonne on February 14, 2011, but fell thereafter due to worries over recession in the West. It dropped to a low of $6,735 per tonne on October 2011. The fall in India was 9.75 per cent during 2011.

World Bank view: In 2011, the global price fell due to high inventory and low demand. The red metal is expected to rebound as global growth recovers and China stocks up. Over the medium term, the price is expected to fall as demand slows and new capacity comes on stream, creating a small surplus. On February 29 this year, the metal was trading at $8,638 per tonne on the LME.

Domestic view: Indian experts agree with the Bank's outlook for the next few months. Naveen Mathur, Associate Director, Commodities and Currencies, Angel Broking, says: "In the next three to four months, any upside will be limited. In the long term, we expect prices to rise due to supply problems, falling ore grades and demand from China."

Experts say prices are likely to go up as China and India loosen monetary policies, increasing the supply of money. That apart, concerns over supply, improvement in the US economy and the direction the debt crisis takes in Euro zone countries will decide prices. Harish Galipelli, Head, Commodities, JRG Securities, says: "The Purchasing Managers' Index (PMI) has expanded in the last few months, which may push up prices. A lot depends on the demand from industry and the housing sector. We expect LME prices for copper at $9,000 to 9,200 per tonne by the end of the year. Prices may stay between ₹490 and ₹510 per kg on the MCX." The PMI indicates the health of the manufacturing sector.

6%
is the fall the World Bank expects in metal prices in 2012 due to lower demand

ALUMINIUM

Globally, aluminium prices fell 18 per cent in 2011. The metal traded at $2,017 per tonne on December 30, 2011, on the LME. On the MCX, it dipped 4.75 per cent to ₹104 per kg during the year.

World Bank view: Prices of all metals, except aluminium, will fall in the medium term. Aluminium will be supported by higher cost of power and other inputs. Alongside, demand is expected to be robust mainly because of the metal's lightness, durability and multiple uses in the transport, construction, packaging and electrical industries. Demand from China has been the main driver of aluminium prices. At present, China's 21 per cent aluminium smelting capacity is outdated and unproductive. The country is fast changing to efficient energy use

Aluminium

"Consumption in 2012 is expected to be 44.5 million tonnes, up 6 per cent from 2011. The price may touch ₹125 per kg on the MCX"

HARISH GALIPELLI,
Head, Commodities,
JRG Securities

Copper

"In the long run, we expect copper prices to rise due to supply problems, falling ore grades and demand from China"

NAVEEN MATHUR,
Associate Director, Commodities,
Angel Broking

Nickel

"The global market is expected to have a surplus in 2012. The metal is likely to trade in the range of ₹700-1,300 per kg on the MCX"

RENISHA CHAINANI,
Commodity Manager, Edelweiss
Financial Services

by shutting down old plants and building new ones. This may limit any downward pressure on prices.

Domestic view: In contrast, domestic experts are bearish for the short term. However, they say, the metal could move above the December 2011 level in the long run. Sumit Mukherjee, Fundamental Analyst, Karvy Comtrade, says, "We expect pressure in the short term, but prices may recover in the longer run as demand from China, Japan and Euro zone countries is likely to improve by the middle of the year." Aluminium is gaining ground as a substitute for copper in the power cable and wiring industry due to its lower price, which is creating additional demand. "Consumption is expected to be 44.5 million tonnes in 2012, up six per cent from 2011. We expect the metal to test the $2,600 level by the end of the year with an average price of $2,400 on LME. The price may touch ₹125 per kg on MCX," says Galipelli of JRG Securities. Aluminum has been trading in the range of ₹102 to 113 per kg on MCX since August 2011. "Prices have reached their long-awaited resistance level of ₹113 per kg. Any sustainable close above this will confirm that the short-term bottom has been formed. The bullish momentum sets the near-term target at ₹120 per kg and then ₹128 per kg. However, any breakthrough with considerable volumes will dampen the bullish view," says Mukherjee.

13%
is the fall in nickel prices in the domestic market in 2011

NICKEL

Nickel, like aluminium and copper, did not do well in 2011. It fell 25 per cent on the LME and 13 per cent on domestic exchanges. On the LME, it dropped to $18,620 per tonne on December 30, 2011, against $25,000 per tonne on January 4, 2011. On prospects for 2012, Kunal Shah, Head of Research, Nirmal Bang Commodities, says the price on the LME may not rise above $23,400 to 23,600 per tonne, but even if it falls, it will not go below $18,000. On 28 February this year, it was trading at $19,775 per tonne on the LME. On the MCX, it shed ₹144 per kg in 2011 and closed at ₹973 per kg on December 30, 2011, against ₹1,118 per kg on January 1. Nickel came under selling pressure in 2011 due to worsening economic conditions in Europe and China and the rise of nickel pig iron as a substitute. There was also an expectation of production surplus.

World Bank view: Nickel came under pressure in 2011 despite falling inventory and rising demand because of the expected increase in capacity. The price is expected to fall in 2012 due to capacity additions.

Domestic view: Domestic experts back the World Bank view. Kunal Shah of Nirmal Bang says, "Rising production and slack demand from Europe should cap the upside in nickel." Chainani of Edelweiss agrees. "We expect nickel to remain under selling pressure. The global market is expected to have a surplus in 2012. The debt of European countries, the slow growth in China and uncertainty in the US will continue to cause tremors in the market. The price on MCX is expected to be in the range of ₹700 to ₹1,300 per kg." On March 1, the metal was trading at ₹970 per kg. ◆

Courtesy: *Money Today*

Bask in Luxury

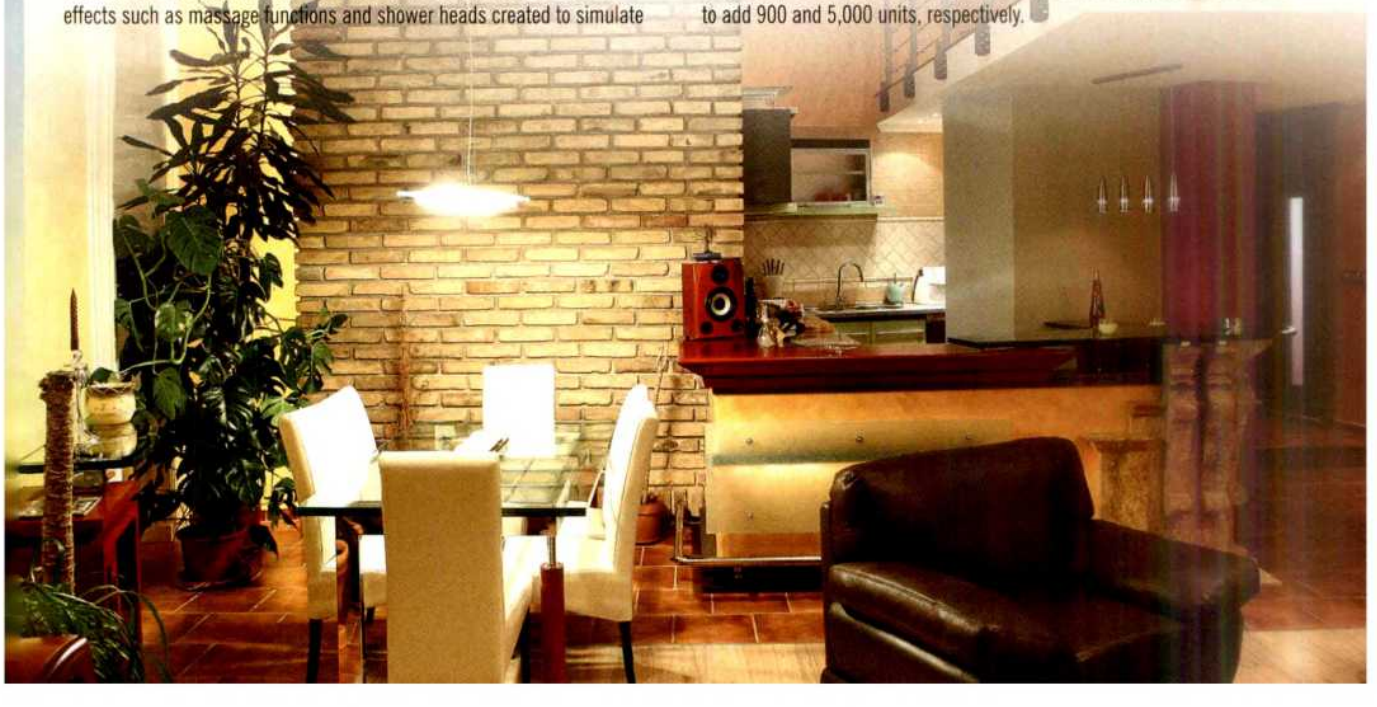
India is home to many billionaires and this is steadily getting reflected in the demands for luxury living options in the market

According to a research report published by the Knowledge Company, India boasts of over three million luxury households. These households earn 45 lakhs onwards annually and spend a minimum of six to seven lakhs per year on luxury and very premium goods and services. This steady rise in demand for luxury has caught the real estate sector by its neck; the result- state of the art designer homes, customized VIP addresses and spoils-you- to -death luxury interiors and upholstery.These luxury living options sell out for anywhere between 2.5 to 25 crore and there is absolutely no compromise made on delivering nothing but the best. A young working couple would need facilities like a club, sports complex, crèches et al, and that's what developers are trying to provide: a 360 degree realty solution catering to the needs of the consumer. It is the age of intelligent living and with the rapid economic growth, the new age buyer is spoilt for choice and what we have today is a whole new class of elite looking for houses that can make excellent conversation starters.

The real estate developers have opened their doors to a whole new segment of clientele who are all set to rake in the moolah for these impeccably advanced living options. A whole new range of furnishings, bath fittings and futuristic furniture have led to the advent of commendable designer homes that come custom made not just with the best state of the art technology but also with aesthetic high end interiors. Touch sensitive lighting; mood lighting, soothing aroma scented paints for your bathrooms, customized carpeting and draping and the works are all the icing in the cake when it comes to buying yourself a smart home.

Bathrooms which feature practicality for family use are another popular emerging trend. Large open spaces without constraints and multifunctional innovative fittings feature are now in style. The design uses sophistication, functionality, class and comfort. Personal wellness, relaxation and luxury are important features in bathrooms, especially to escape from the stressful environment in which we live. A spa conjures the idea of great luxury and splendor and the private spa trend in bathroom designs encompasses a rejuvenating and calming opulence in a private and sophisticated setting. Features of a private spa design include sensory effects such as massage functions and shower heads created to simulate rainfall for a peaceful and relaxing experience.Gadgets and technology add a modern element to large bathroom spaces. Luxurious and technological fixtures such as shower massagers and body jets provide a futuristic showering and bathing experience. A technological bathroom is sophisticated and practical. Bathrooms are not only functional, they make a statement. These theme-based projects are aimed at harnessing the aspirations of the customers who want extra facilities rather than just an apartment and why not? They have the money that it takes.

So who are the potential buyers of luxury in India? The new generation affluent consumers are mostly CEOs and senior executives in their thirties and forties, returning NRIs, entrepreneurs in new sectors, franchisees and small and medium retailers. The Indian luxury market is growing at a tremendous pace. There exists a great opportunity to create retail outlets to meet the exclusive needs of this set of customers. Moreover, the number of luxury households is growing at 14% on a year on year basis. In terms of volume, luxury residential segment accounts for only 6 per cent of the total market, but money wise, it is around 25 per cent of the total — and growing. It's projected that Delhi and its surrounding areas will have 1,000 new luxury residential units by 2014. Mumbai and Bangalore are expected to add 900 and 5,000 units, respectively.



Due to the great demand for luxury it has been noticed that import duties of many luxury goods have come down. The changes in the FDI regulation make it more conducive for luxury brands to enter the Indian market. Also, a lot of Indians have become glamour seeking and brand conscious. Living in luxury has become a status symbol in addition to being a style segment and to live like a celebrity is soon becoming a choice more than a privilege with the increase in disposable incomes of the young and the successful.

There is also a surge in the luxury malls sector with a lot of luxury malls mushrooming in India; these malls only cater to a luxury affording clientele with a taste for global brands. India is home to many billionaires and this is steadily getting reflected in the demands for luxury living options in the market. A dream house does not just stop at being in a great location; it is now an imperative that the house looks as inviting inside as it is from a driveway. Luxury interiors are in high demand with high end technology fitted homes as well as environment friendly houses gaining mass attention. Premium properties have a huge demand and to add to the premiumness of a property, the look is as important as the feel.

It is estimated that most of the luxury affording consumers live in Northern and Western India. Delhi and the surrounding NCR region is a gold mine for real estate luxury buys, satellite towns like Ghaziabad, Faridabad and Meerut etc are also making their foray into this segment with some really posh residential options up for grabs in the market.The home loan market too is not far away from these players with attractive loans available for those that dream big and want to live the larger life. With easy down payment options and great EMI options; people are now not scared to take the plunge headlong into the world of luxury.

LUXURY LIVING

Today, luxury living is not purely a style statement but a means to spice up your home with personal touches. Adani Group's real estate arm is set to introduce an Exclusive Golf Villa Community, The **North Park** in Shantigram Township, Ahmedabad where each villa is crafted to appeal to the connoisseur of architecture in you.

Every direction at The North Park will compete for your attention. In the North lies the picturesque Narmada Canal - a gently flowing streak of blue that oozes calm. In the South lies 9-hole signature Golf Course of The Belvedere Golf & Country Club. And, surrounded by green expanses in the East and West, this villa community is cocooned in picturesque serenity. An exclusive enclave of uber-luxurious villas designed to be the epitome of aesthetically designed living spaces, North Park is planned along a 70 acre Golf course offering 4, 5 and 6 BHK Villas designed both in the neo-classical and modern architectural styles. All villas are attended by expansive lawns and trees on all sides, and gravelled driveways to the garages. The North Park will have its own exclusive clubhouse with a Gym, Aerobics / Yoga area, Swimming Pool, Tennis Court, Indoor Games Facilities, Separate Kids' Play Area, Party Hall with a Party Lawn and Viewing Gallery overlooking Golf Course. As a part of this prestigious community, residents will also have access to The Belvedere Golf and Country Club as well as the Golf Course that it overlooks.

"A lot of thought process has gone into designing the Villas in this exclusive community. We are offering several options based on Classical and Modern Architecture for each type of Villa. Built on two levels, the Ground Floor of each Villa offers Formal Living, Dining, Lounge, Office Cum Study and access to the greens in the backyard. The Multipurpose Room in the basement can be accessed from inside the Villa as well as from your backyard. The first floor has lavish master bedroom, other bedrooms, Family Lounge and spacious open decks as well as terraces. We are also providing Service lifts from basement levels in the villas." Shares Mr. Tarwinder Singh, CEO, Adani Realty.

The North Park Golf Villa Community will be spread over 56 acres and will consist of over 260 Villas. The community will have separate access and entry with internal road network designed to offer easy accessibility to the villas and ensure smooth flow of vehicular traffic.

The villas will be built on plots ranging from about 700 to 2500 square yards with constructed areas from about 5,400 to 10,500 square feet.

During the last two years, Shantigram has been offering various modern living spaces catering to different segments, yet building a harmonty within various categories. The North Park is one more step in this direction. The North Park will be the most Exclusive Villa Community in Ahmedabad City and there is no other development which can offer such [illegible] the entire Shantigram Township this will be the only

adani

The best city in the country gets even better. Ahmedabad welcomes the good life.

The Adani Group, one of India's largest business houses, presents Shantigram, Gujarat's largest township.

Nestled in 600 acres of open space, Shantigram is the largest and only luxury township in Ahmedabad. You'll find everything here from quaint villas to plush penthouses. Never-ending spreads of green to a bustling shopping complex. A 9-hole golf course to multi-cuisine restaurants. Multi-discipline stadium to the fully-equipped Belvedere Golf and Country club. A serene lake to wide open roads. Premium educational institutes to ace healthcare facilities. Undoubtedly, Shantigram offers you what dreams are made of. And gladly for you, a dream like this can now go on for a lifetime.

Bookings open for 2/2.5/3/4 BHK and Penthouses.
Call 1800 233 56767 | Visit us at www.shantigram.com

Site location: S. G. Highway, Near Vaishno Devi Temple, Ahmedabad.
Sales office: 02, Titanium, Corporate Road, Near Prahlad Nagar Garden, Ahmedabad 380015, Gujarat, India.

Shantigram
THE GOOD LIFE
Developed by Adani Group

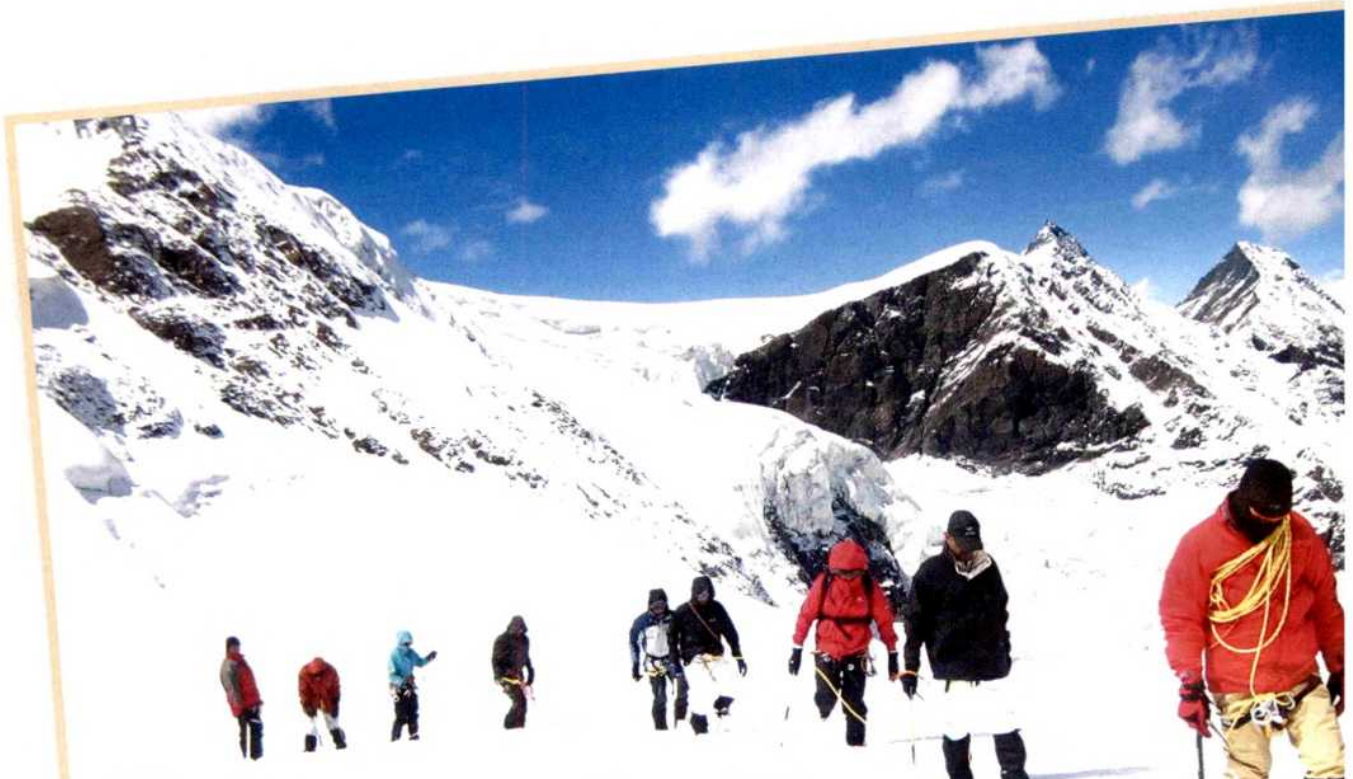
The township by Adani Group in association with Saumya Construction

GUJARAT'S LARGEST INTEGRATED TOWNSHIP | MORE THAN 80% OPEN AREA | RESIDENCES
BUSINESS | ENTERTAINMENT, SPORTS & LEISURE | HEALTHCARE & EDUCATION

All the information is strictly for guidance purpose only and does not constitute part of an offer or contract. Use of such information without consent is not permitted. Plans are proposed and are subject to change without prior notice. Information provided herein is subject to grant of approvals from the concerned authorities.

LAST BUT NOT LEAST

SMART EXECUTIVE 112 CAREERS 114 PEOPLEBUSINESS 116



Lessons in Peak Performance

There is much that executives can learn from mountaineers, say **Anand Adhikari** and **Anusha Subramanian**

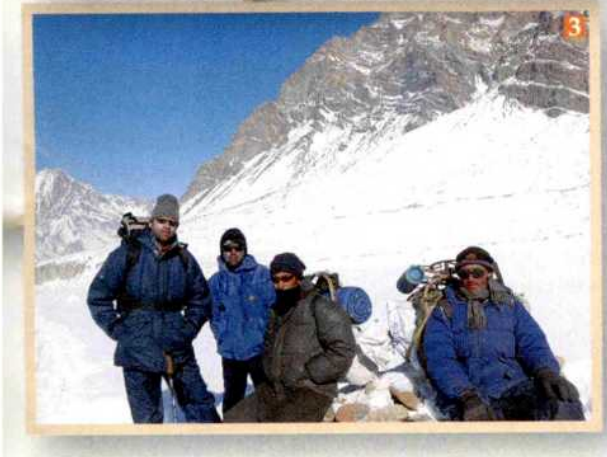
"I am often asked what relevance climbing mountains has to both business and personal success. It can be distilled down to two concepts, those of challenge and attitude. It is these two things that have shaped much of my life and the lives of not only mountaineers, but also of successful business people."
Mark Inglis, the sole double amputee to climb Mount Everest

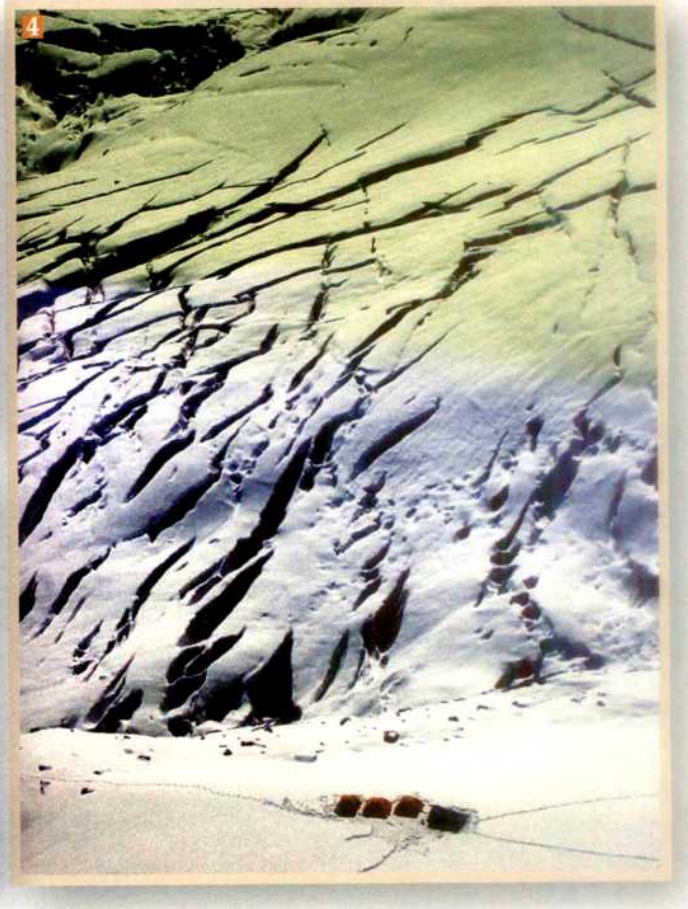
Sridhar Iyer, 41, Head of Consumer Credit and Risk Management, HSBC Bank and an avid mountaineer, set out to climb the 6,450-m Mount Menthosa in Spiti Valley, Himachal Pradesh last year. One night in his tent, 5,200 m above sea level, rock-hard ice all around him, the temperature outside a numbing minus 20 degrees Celsius, the zipper of his sleeping bag broke, rendering it useless. With no spare sleeping bags available, Iyer managed all night without one.

"When you expose yourself to such conditions, your mind learns to cope with continued stress," he says. "Mountaineering teaches how to make decisions in difficult conditions, to perform when things are not normal." He recalls a $10-million (₹45 crore) deal he had to handle, which kept him on the edge for days. He says his training in the mountains helped him handle the pressure. "The ability to ensure you are completely on top of the issues that matter comes naturally to a mountaineer."

Agrees Somasekhar Sundaresan, 38, Partner at J. Sagar and Associates, who, since he took up the sport six years ago, has climbed mountains such as Thyangboche (3,867 m) in Nepal, Kilimanjaro (4,280 m) in Tanzania, Kaçkar (3,937 m) in Turkey, and Aconcagua (6,959 m) in Argentina. "If I have learnt to keep my cool in the face of significant stress, I owe it to the conditioning of my mind in the mountains," he says.

Krishna Kumar, 40, CEO of digital advertising





1. **On nature's trail:** Trekkers at Chamser Kangri (6,620 m) in Ladakh
2. **Hitting the high spot:** HSBC's Sridhar Iyer with his teammate at Chamser Kangri
3. **Wanderlust:** Krishna Kumar, CEO, Media2win, with his team at Mentok (6,250 m)
4. **Tough climes:** The road to Menthosa (6,450 m) is not an easy one

firm Media2win, made his first climb all alone, having failed to find a team. In 2008, inspired by a newspaper story, he set off on a 12-day, 180-km trek along the frozen river Chadar in the Zanskar valley in Leh, 3,945 m above sea level. "The experience taught me how to tackle risk in whatever I do in life," he says. "Many things went wrong on that trek, communication facilities were near zero; there was no civilisation around for long stretches. But you can survive if you are determined."

His subsequent trips were as part of teams and he emphasises the lessons in team effort that mountaineering can teach the corporate world. "Each person has a role to play," he says. "As in the mountains, there are no shortcuts in business. You have to work tirelessly to build a sustainable business model." To succeed at climbing mountains also calls for passion – the hardships will turn the weak-willed away – and the same is true for business. Kumar recalls an occasion when his team, competing against biggies in the business for the account of a media and entertainment company, had very little time to prepare its pitch. "The only way we could have done it was by working with a great deal of passion," he says.

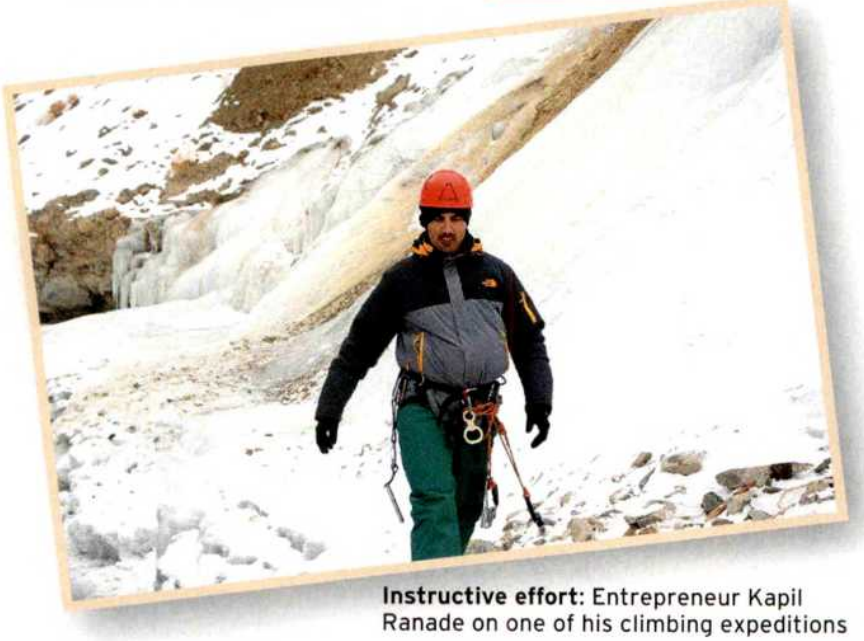
Enchanting: Mt Everest, the highest peak on Earth

ELSEWHERE

Simon Murray, former non-executive chairman of Vodafone Plc, and current chairman of Glencore, scaled Mount Everest base camp in 2007

Marc LeBaron, Chairman and CEO of metal care solutions company Lincoln Industries', has climbed a 4,200-m mountain in Colorado

John Delaney, Founder and CEO of leading predication market firm InTrade, died scaling Mount Everest in May 2011



Instructive effort: Entrepreneur Kapil Ranade on one of his climbing expeditions

Patience is another key takeaway. "In the mountains, there are times when you have to wait endlessly because of poor weather conditions," says Kapil Ranade, 33, an entrepreneur and expert mountaineer. "Similarly, in business, there arise situations when you have to take a step back or slow down a bit for the benefit of all." Iyer notes that as conditions get tough, patience often runs low in the mountains, leading to friction. "Experience teaches you to get over this response, which helps in work environments too," he says.

Mountaineering also teaches not to unwind too early despite initial success. Ramnik Chhabra, 42, Associate Director and Head of Marketing at financial services firm Motilal Oswal, made his first trek – to the Everest base camp – in April 2008 and has been climbing regularly since then. "When you are moving towards the summit, you are usually gung-ho about reaching the peak," he says. "But you are far less motivated when you are descending." That can be dangerous. "In the same way, a new product launch gets employees very enthusiastic, but they tend to lose motivation once the launch is done," he adds. "Yet you have to work equally hard after the launch to sustain the product."

A final, important learning is people management. "You deal with a variety of people in the mountains, from slow learners to intelligent ones, but you have to work with them all, just as you have to in business," says Ranade. In particular the guides, the Sherpas in the Himalayan region, must never be crossed. "You should not have an ego and think you know better than the Sherpas," he adds. "If you get on their wrong side, your expedition is doomed. In business too, you have to make people your friends, treat them fairly, and make them feel that they are important to you." ◆

Send your comments to editor.bt@intoday.com

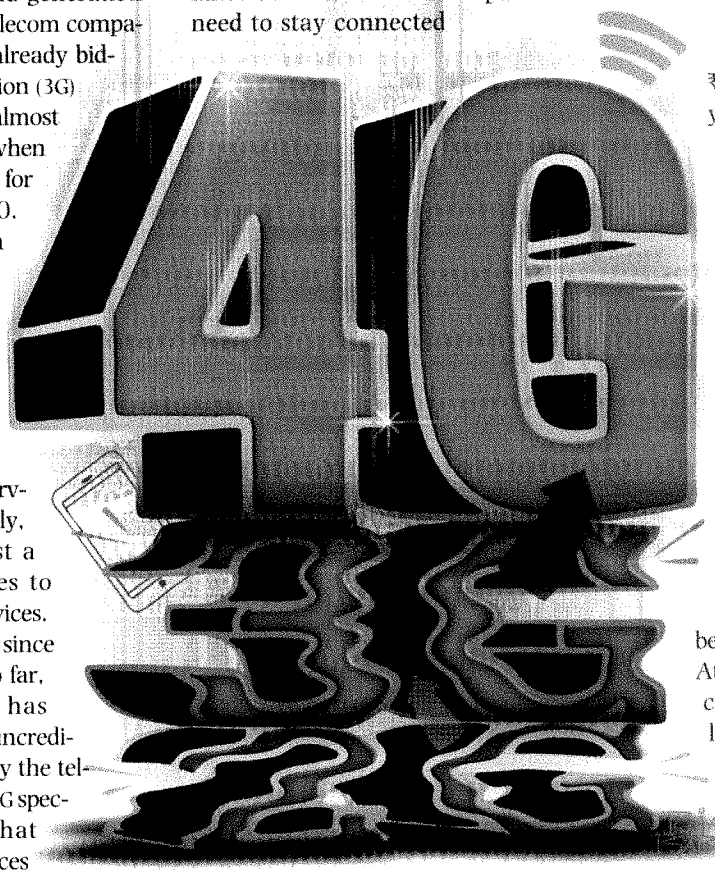
Namaste, 4G

Fourth-generation telecom technology gives India entry into a select club

India was always behind the curve on telecom. When the telecom revolution began around 2001/02, spurred in large part by Reliance's entry into the market with its amazingly low tariffs, the country was still in the second-generation (2G) phase. By then telecom companies in Europe were already bidding for third-generation (3G) networks. India took almost a decade to catch up, when it auctioned spectrum for 3G networks in 2010. But fourth-generation (4G) mobile networks are a different matter. Not only did India auction spectrum for 4G networks along with 3G, but also, with Airtel launching 4G services in Kolkata recently, it is now one of just a handful of countries to have started such services.

It has been a year since 3G services began. So far, consumer interest has been lukewarm. The incredibly high prices paid by the telecom companies for 3G spectrum also means that users of 3G data services are paying steep prices for them. 'Fast' is also costly. 3G compatible devices are just as expensive. There are a few cheap 3G devices available, such as the ones sold by Idea and Vodafone for around ₹4,000. But the difference, between using a cheap 3G device and a high-end one is vast. Also developed telecom markets have shown that consumers like expensive 3G devices (read the Apple iPhone).

I have used 3G services provided by two operators – Airtel and Vodafone – on multiple devices for over a year. The speed is commendable and YouTube videos do load fast. But then, I have a compulsive need to stay connected for most of the time, and to stare at a screen. Not everybody feels the same way. A few friends or colleagues, all of whom belong to the top user bracket of mobile subscribers, have taken 3G services but never use them except with an iPad. Thus, barring a small number of subscribers, no one really needs high speed data.



What does the tepid response to 3G mean for 4G? Let us look at the prices Airtel will charge for its 4G service – ₹999 for six gigabytes (GB) and ₹1,999 for 18 GB of data (excluding taxes). The user will also have to buy an access device – a dongle or a WiFi converter – for an additional ₹7,000. Considering that Airtel charges ₹1,599 for 75 GB of data if you use its Direct Subscriber Line (DSL) wired Internet service, why would you want to use the 4G facility at all?

Another problem with this pricing plan is that given the speeds that Long Term Evolution (LTE) – the underlying technology behind 4G – can achieve, the data cap can be exhausted in a few minutes. According to a telecommunications vendor, speeds of over 100 MB per second had been achieved in pilot trials. At such speeds, 6 GB of data can potentially be downloaded in eight minutes.

Of course, prices may fall as rival operators (Reliance Infotel, in particular) enter the fray. In that case, a data revolution may be in the offing. But it is worth noting that, given the prices all players have paid for 3G spectrum, 3G access prices have not been impacted by competition. More entrants in 4G driving prices down may be great in theory, but will it actually happen? Even if access devices get cheaper, it is still years before 4G becomes viable. ◆

You Have 10 Minutes

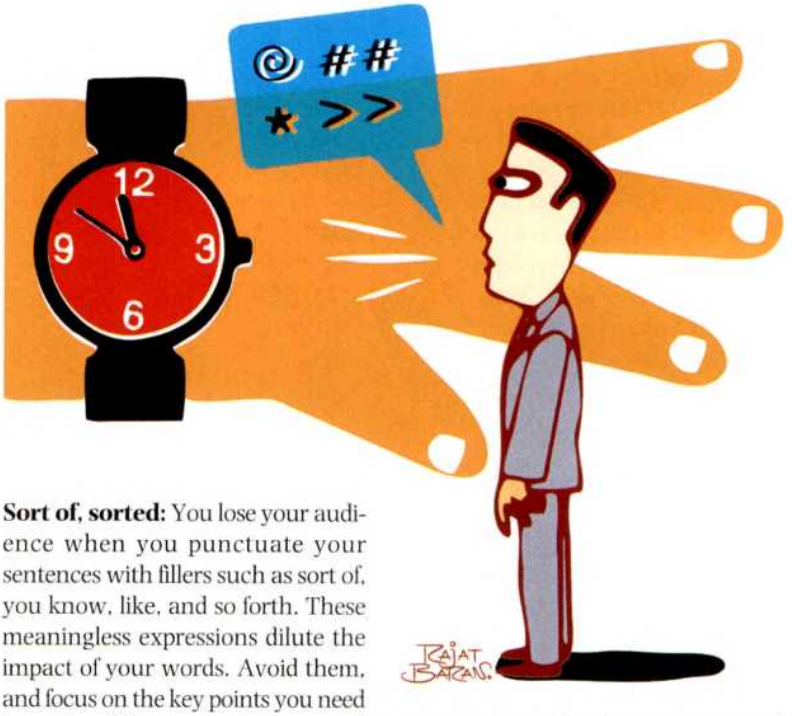
How to make a lasting impression in the shortest possible time

Let me start with an anecdote I heard from Josy Paul, Chairman and Chief Creative Officer at advertising agency, BBDO India. Almost a decade ago, Paul, then head of an agency called RMG David – which later merged with Bates – was pitching for LG's mobile phone business. His team was made to wait for two days before being given 10 minutes with K.R. Kim, who then headed LG in India.

When they entered, Kim did not even ask them to sit. Paul knew he had to make an impression instantly. "I started by saying, 'I have two words which can solve any problem, be it with your child, with your spouse....'" he says. But he did not give away what those two words were. Paul eventually had Kim pounding his fist on the table in rage, saying: "Tell me, I want to know right now." At this stage, Paul relented. The two words were: 'Let's talk', and they won him the account.

These are the times of snappy tweets, short 'txt' messages, 10-second ad spots... you get my drift. It is essential to grab attention, and do so quickly. Journalists, for instance, are now under enormous pressure to convey the latest news faster than ever before. To do so calls for maintaining not only a wide network of reliable sources who provide information on the trot, but also of analysts who can give succinct interpretations of a development in 10 minutes flat. People in other professions too face similar pressures.

Thus 10 minutes is sometimes all you will get to make your biggest career move, or clinch a vital deal. How do you utilise them effectively? Here are some tips to help you start:



Sort of, sorted: You lose your audience when you punctuate your sentences with fillers such as sort of, you know, like, and so forth. These meaningless expressions dilute the impact of your words. Avoid them, and focus on the key points you need to make. There are also ways of enhancing impact, such as voice modulation and the appropriate use of humour. But learning these takes time and training.

Speak with passion: Good speakers are those who speak with a lot of feeling. They do not engage in verbal pyrotechnics. Many do not even try to be witty. They draw attention because they communicate clearly, and make you feel they care about what they are saying. "It is very important to feel something and then say it," says Paul. Every sentence should have a cogent thought behind it, or convey important information.

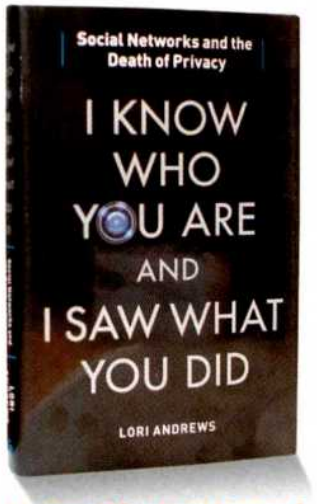
Live in the moment: People who grab attention are those who are not burdened by baggage. They tend to be very here-and-now. They connect promptly to developments around them, which enables them to respond to evolving situations fast.

Add value, differentiate: There is no need to be flashy. Take Sangeeta Gulati, Chief Financial Officer at education solutions provider Educomp Solutions. Gulati, a no-frills person, recalls the time she had just joined Educomp. She could not understand why the company's then financial controller was having protracted lunch meetings and getting into complicated procedures to just open a letter of credit with a bank. When she, by sheer chance, happened to enter the lift one day along with Educomp's chief Shantanu Prakash, she asked him if she could give that elusive letter of credit a shot. He assented, she succeeded, and the rest, as the saying goes, is history. ◆

Indecent Exposure

The Web, and social networking in particular, is destroying individual privacy, says this book

This book discusses a subject that impacts all those who use the Internet and especially those who have signed up on social networks such as Facebook. Author Lori Andrews exposes how different entities have been tracking your Net usage, how much they know about you from the information you have willy-nilly disclosed and how they have been using this information to manipulate you in various ways.



I Know Who You Are and I Saw What You Did: Social Networks and the Death of Privacy

By Lori Andrews
Simon & Schuster India
Pages: 253 Price: ₹699

Companies use your personal data on the Net to limit your choices, often forcing you to pay more for certain products. Banks may offer you loans determined by your online browsing history. Until the 1960s, there used to be a practice called 'redlining' in the United States, by which banks delineated areas on the map whose residents they considered an investment risk and refused to give them loans. "Now the map used in 'redlining' is not a geographic map, but a map of your travels across the Web," says Andrews. "A new term 'weblining' covers the practice of denying certain opportunities to people based on observations of their digital selves.

It is not only private companies and banks which are breaching your privacy. Andrews, who is also a lawyer, brings up several other cases. Take the American school district which photographed its students through its computer's webcam on school-issued laptops. Or take Facebook's sudden change in its privacy policies a few years ago, which made hitherto private pictures freely accessible. Many people lost their jobs as a result. Andrews mentions numerous legal battles over child custody which were decided on the basis of a MySpace post or a picture on Facebook.

Andrews also discusses online bullying, including the much-talked about Tyler Clementi case at Rutgers University in 2010. Clementi, who was gay, committed suicide after discovering he had been surreptitiously watched on webcam from another room by the Indian-born Dharun Ravi and another female student. (The book went to print before Ravi was convicted.) It mentions other instances of people committing suicide when the courts were unable to nail the guilty, since the laws have not kept up with advances in technology.

It provides countless examples of such bullying – or trolling, as it is called – and also shows how the anonymity offered by the Net is being misused to post hateful and threatening messages in the garb of 'free speech'. While largely US-centric, the book does talk about India too, pointing out that, India's IT Act notwithstanding, cyber protection laws here are weak and their implementation, weaker.

Today, Facebook has over 750 million users. To protect people online, Andrews advocates a 'Social Network Constitution' respecting users' privacy that governmental agencies or web-based advertising companies should be forced to follow. How exactly this can be done, given that the Net is used across 200 sovereign nations, remains to be seen.

So far, Andrews points out, the courts have indeed tried to protect people who have had their privacy invaded by infrared sensors. But they have also often supported Internet data interception, by security agencies and the like, a disturbingly widespread phenomenon.

The book should be read by all those interested in online privacy issues and the online world in general. Unfortunately, though the writing is lucid, the densely packed pages and typography used make reading it a strain on the eyes. ◆

KUSHAN MITRA

While largely US-centric, the book does talk about India too, pointing out that, India's IT Act notwithstanding, cyber protection laws here are weak and their implementation, weaker

SANTOSH

New Carrots for Old

With hefty increments out of question this year, companies are finding novel ways to meet employee expectations, says Manasi Mithel

Around Christmas last year, Anto Roy, Technical Head at Microsoft India's Global Technical Support Centre in Bangalore, happened to help out a junior colleague. A valued customer, who paid Microsoft millions of dollars every year for its support technology, had called with a technical problem, which the junior, new to the job, was having troubling handling. Roy stepped in and solved the problem. "I only did my job, which is to help the 10 to 12 support engineers working under me," says Roy. But just for that he was given the company's 'Star Lead' award at a grand ceremony held at an outdoor location, in the presence of all his peers and superiors.

With the past financial year having been one of sluggish growth and shrinking bottom lines, companies know they will not be able to reward

even their best employees with the kind of increments they expect. As a result, with appraisal season in full swing, human resource departments have been forced to think of other ways to retain employee loyalty than providing a fatter pay cheque. "Given that budgets are limited, companies will want to reward their top performers more, while poor performers may not get any increases at all," says E. Balaji, Managing Director and CEO of human resources firm Ma Foi Randstad.

Thus the emphasis on awards of the kind Roy received, on appreciative gestures that do not call for excessive expenditure. Naturally HR personnel prefer to put it differently. "We are more concerned with how well a frontline engineer meets customer requirements than with the time taken to deliver such requests or the number of customers satisfied," says Binu Philip, Microsoft Director HR-India.

But the real reasons for the trend are clear. "This year, non-monetary incentives will increase," says Ronesh Puri, Managing Director of HR company Executive Access. "There will be more employee recognition, more rewards and employee engagement."

Further, more companies are likely to adopt the practice of providing variable pay, the variable component linked to performance. In India, the variable component is generally 15 to 25 per cent of the fixed salary, while in the West, it can be as high as 70 to 85 per cent. The Ma Foi report expects variable compensation this year to be in the range of 20 to 25 per cent for senior management, 13 to 16 per cent for middle management and eight to 10 per cent for junior management. (See *Flexible Salary*.)

Generally, employees in India prefer a large fixed component in their salaries, says Ma Foi's Balaji, as it ensures financial stability. Of course, this is not always the case. "An individual who is willing to take risks at work will prefer a large variable component in his salary," he says.

Executive Access's Puri says that in the last two years, the variable payout that companies offer their employees has increased and will continue to do so in coming years. While earlier only senior employees had their salary packages thus segmented, lately even those discharging lower functions are being offered similar deals.

To forestall discontent, companies are also tweaking the variable component concept. "Normally the variable payout to employees happens at the end of the year but this year it is happening at the end of each quarter or at the end of six months," says Muninder Anand, Director, Information Product Solutions, at global HR solutions firm, Mercer. Companies are also ensuring a higher level of transparency by sharing the benchmarking process by which variable pay is decided with their employees.

"Our company's performance is regularly shared with employees through management road shows or open house forums," says Ashok Ramchandran, HR Director at Vodafone India. "Incentives and bonus plan criteria are very transparent. Thus employees are able to keep a check on what the company expects of them."

No doubt the salary level is not the only factor responsible for a company's appeal, or its high retention. The benefits it provides also matter. A recent survey by Mercer showed 62 per cent of employees join firms on the basis of the benefits given. ◆

FLEXIBLE SALARY

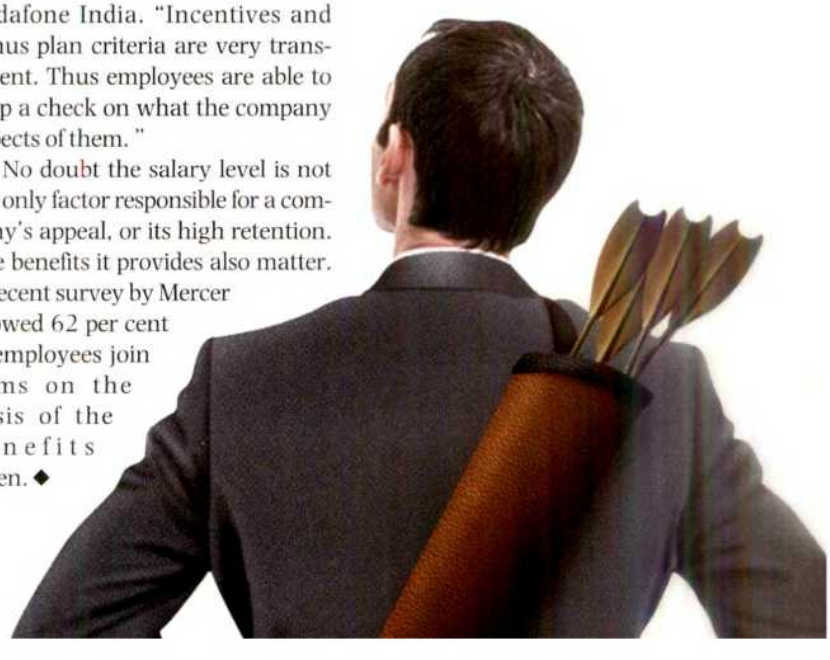
— Companies are trying to keep their wage bills under control by increasing the variable compensation paid to employees

— Variable compensation is a portion of an employee's salary linked to his or her performance, which can be withheld or paid partially if the company deems it fit

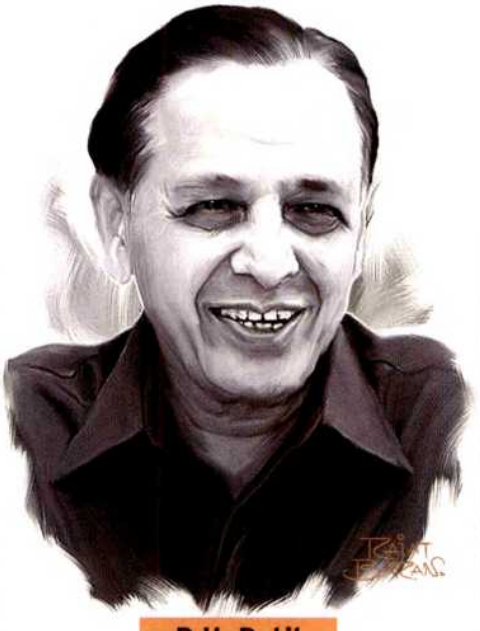
— Percentage of salary earmarked as 'variable compensation' at different levels:

Senior: 20-25
Mid-level: 13-16
Junior: 8-10

Source: Ma Foi Randstad report



Man Who Transformed Stock Trading



R.H. Patil
Founder, NSE
(1937-2012)

When **R.H. PATIL**, founder of the National Stock Exchange (NSE), succumbed to lung cancer on April 12, at the age of 74, India lost a titan in the world of finance. "He was a true institution builder," says Ravi Narain, current Managing Director and CEO of NSE. Patil had numerous achievements to his credit, but his biggest was the setting up of the NSE, the country's first professionally-managed automated stock exchange, in the early 1990s. It offered a clean alternative to the Bombay Stock Exchange (BSE), then reeling under the fallout of the Harshad Mehta scam. Despite the opposition of the powerful brokers who ruled BSE, Patil made the NSE a stunning success, one which now outstrips the BSE in terms of trading volumes.

Patil, who is survived by two daughters, was Chairman of the Clearing Corporation of India Ltd, as well as of the National Securities Depository Ltd, when he died. Born in a small village near Belgaum, he went to school in Karnataka and graduated from Pune's Fergusson College before moving to Mumbai University for his Masters and PhD.

"Patil *sa'ab* was my foremost guru in the world of money and finance," says Y.V. Reddy, former Reserve Bank of India governor. "He inspired the highest level of trust and confidence." Friends and colleagues remember him as one who spoke little, but made a great deal of sense whenever he did. Says V.V. Desai, former chief economist at Asian Development Bank, who was with Patil at Mumbai University, and remained close to him all his life: "He was always a very cool and calm sort of person, right from his college days. He believed his work should speak for itself. He never sought attention or position. He was also very passionate about the debt market."

Before setting up the NSE, Patil worked with development financial institution, Industrial Development Bank of India (IDBI). When S.S. Nadkarni, the then Chairman and Managing Director of IDBI, asked Patil to go to Chennai as zonal head, Patil was initially reluctant. He had always been in research, culling out reports on the financial market and the economy, and never handled operations before. But Nadkarni, who saw potential in Patil, convinced him to take up the job. Though the new role demanded skills Patil had never exercised till then, he made a success of his assignment, and ended up working in Chennai for over three years. He returned to the IDBI headquarters in Mumbai as Executive Director. So too, setting up a stock exchange was outside Patil's core competence area and many doubted he would succeed. But he did.

Patil's relationship with those working under him was never that of boss and subordinate, says G.P. Gupta, former chairman of IDBI and Unit Trust of India, who worked with him. "He believed we were all professionals working together," he says.

ANAND ADHIKARI

Vidya Nataraj
Co-founder, BlueStone.com

The Jewel Is Back

For four years, VIDYA NATARAJ headed the music division at Landmark, the retail chain promoted by her father Nataraj and aunt Hemu Ramaiah, until the Tatas acquired it. Ever since then, she nursed the ambition to return to retail on her own. The 30-year-old management graduate from INSEAD, France, has now finally done so by co-founding BlueStone.com, an online jewellery store, along with Gaurav Kushwaha, the former CEO of the online entertainment portal, Chakpak.com. "The branded online jewellery business has hardly any players," she says. Her Bangalore-based start-up offers lightweight jewellery as "that is what most Internet-savvy customers seek". Her site promises a 30-day money back guarantee. Serial entrepreneur Meena Ganesh and venture capital firm, Accel Partners, have backed Nataraj and Kushwaha with an investment of about ₹25 crore.

K.R. BALASUBRAMANYAM

DEEPAK G. PAWAR/www.indiatodayimages.com

Far from Stupid

"People in India have changed. That's why I'm selling them luxury mattresses," says **ANGAD PAUL**, CEO of Caparo Group and son of Lord Swraj Paul, the UK-based NRI industrialist. Paul was recently in Delhi to launch Caparo Spink Wade International Ltd, his group's joint venture with Harrison Spinks and Wade Furniture. He says he uses Harrison mattresses himself and is bringing the best to India, which contributes 20 per cent to his revenues. How come he heads the group, though he is the youngest of Lord Paul's three sons? "Perhaps because I'm the stupidest," he says.

ANAND J

Angad Paul
CEO, Caparo Group

Frederick DeLuca
Co-founder, Subway

Nicely Sandwiched

FREDERICK "FRED" DELUCA, the co-founder and CEO of global sandwich chain Subway, can be delightfully informal. Visiting India recently, his second trip to the country, DeLuca startled his employees when, acceding to *BT*'s request for a photo shoot outside his shop, he not only readily agreed, but also picked up a table and chair himself and strode out of the store. The chain, which has 263 outlets in India, intends to raise the figure to 1,000 in the next five years. It has 36,000 stores worldwide. DeLuca revealed he initially wanted to be a doctor, and started his first sandwich store hoping to use the profits to fund his studies.

ANAND J

ADITYA KAPOOR/www.indiatodayimages.com

VIVAN MEHRA/www.indiatodayimages.com

Ajay Banga
President/CEO, MasterCard

Straddling Continents

In a move that could strengthen ties between the world's two largest democracies, the US-India Business Council (USIBC) has appointed **AJAY BANGA**, President and CEO of MasterCard Worldwide, its Chairman. In his new role, Banga will seek to expand the partnership between the two countries and prepare the roadmap for a bilateral investment treaty which could increase India-US trade from $100 billion to $500 billion in the next few years. An IIM Ahmedabad graduate, Banga, brother of Vindi Banga, former chairman of Hindustan Unilever, began his career with Nestle India in 1981 before moving on to Citigroup.

MANU KAUSHIK

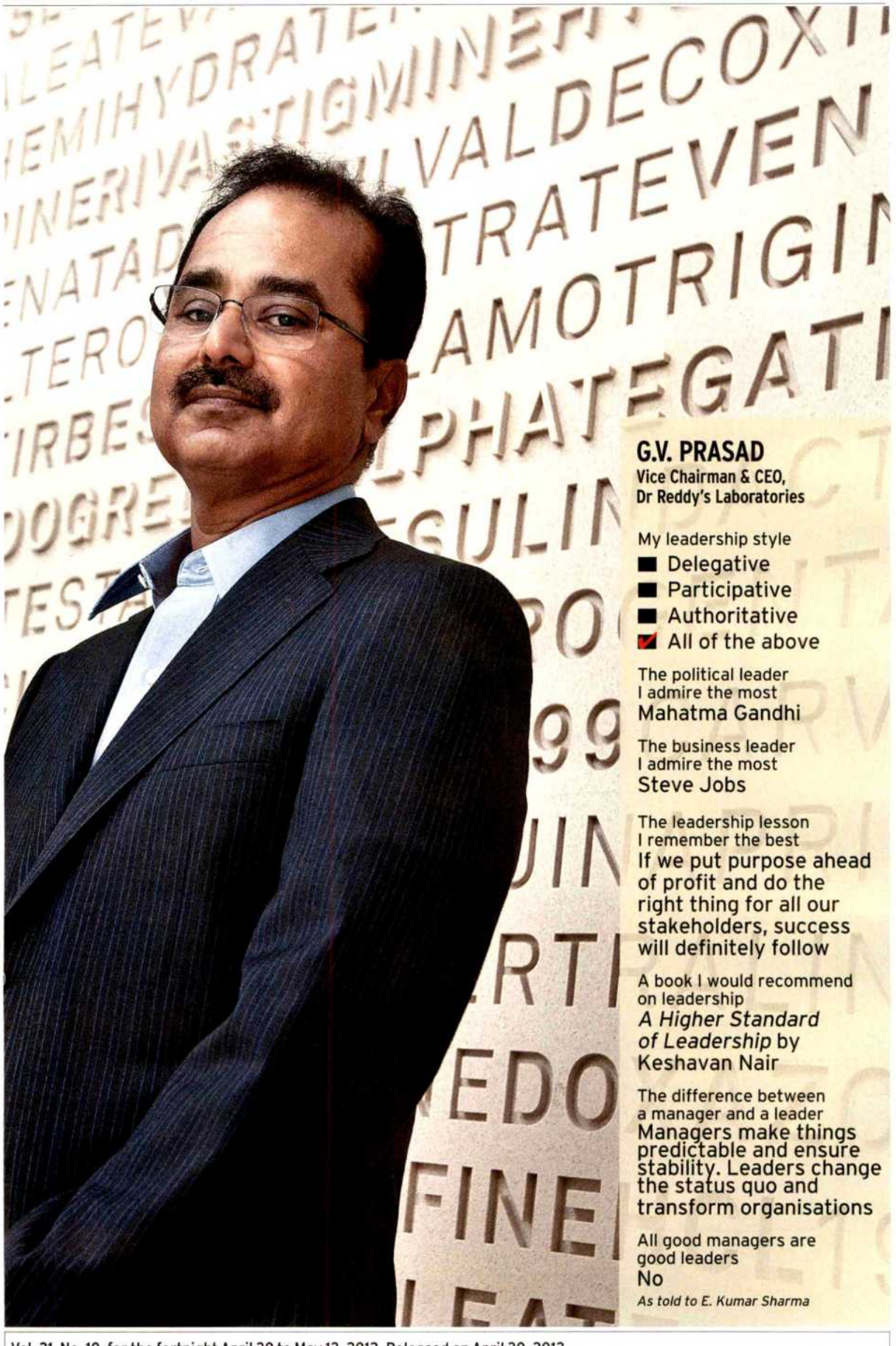
Soul Searching in India

He has written many motivational books, but **JACK CANFIELD**, 67, is best known as the co-creator of the 'Chicken Soup for the Soul' series. Started in 1993, the series now has nearly 200 titles in over 40 languages, and annual sales of $12 million. Canfield, also a motivational speaker, sees himself as "teaching people to be more successful". He was in India recently to conduct 'inspirational seminars'. There will soon be a special title for cricket lovers, *Chicken Soup for the IPL Cricketer's Soul*. ◆

MANASI MITHEL

Jack Canfield, Co-creator, Chicken Soup for the Soul series

PARK AVENUE



G.V. PRASAD

Vice Chairman & CEO, Dr Reddy's Laboratories

My leadership style

- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
Steve Jobs

The leadership lesson I remember the best
If we put purpose ahead of profit and do the right thing for all our stakeholders, success will definitely follow

A book I would recommend on leadership
A Higher Standard of Leadership by Keshavan Nair

The difference between a manager and a leader
Managers make things predictable and ensure stability. Leaders change the status quo and transform organisations

All good managers are good leaders
No

As told to E. Kumar Sharma

A PRABHAKAR RAO/www.indiatodayimages.com

Vol. 21, No. 10, for the fortnight April 30 to May 13, 2012. Released on April 30, 2012.

Luxury takes a new form.

Introducing Hotel Park Hyatt Hyderabad. 209 spacious rooms.
42 fully equipped service apartments.
Discover the joy of luxury made personal.

For more information, visit hyderabad.park.hyatt.com or call +91 (40) 4949 1234.

PARK HYATT HYDERABAD

luxury is personal

Isn't your time as precious as your wealth?

Over a 100 transactions available on our Internet and mobile banking platforms.

Rethink banking. Powered by Citi.

Change the way you bank with the all new Citibanking Account.

- Evergreen reward points on the Citibank Premium Debit Card, redeemable for both cash and air miles
- Zero fees on a host of banking services like DD issuance, cheque book, stop payments and more
- Personal banker and in-depth research for better financial planning[1]

Now get 9% p.a.[2] on fixed deposits of 151-180 days, from ₹ 1000 up to ₹ 50 lakhs.

To know more and apply, call 1800 - 22 - 2484
or SMS BANK to 52484 or visit www.citibank.com/india

200 YEARS citi

citibank

Citibank and Arc Design are service marks of Citibank, N.A., or Citigroup Inc., used and registered throughout the world. [1]Research reports are provided for general information only and nothing contain in the reports constitutes a recommendation for the purchase or sale of any security. [2]Annualised yield of 9.09% for a period of 180 days. This rate is applicable for deposits booked betwe 3rd April, 2012 - 31st May, 2012. Citi and Arc Design are registered service marks of Citigroup Inc. For detailed Terms & Conditions, visit www.citibank.com/india

Publicis Ambience/CITI/90635

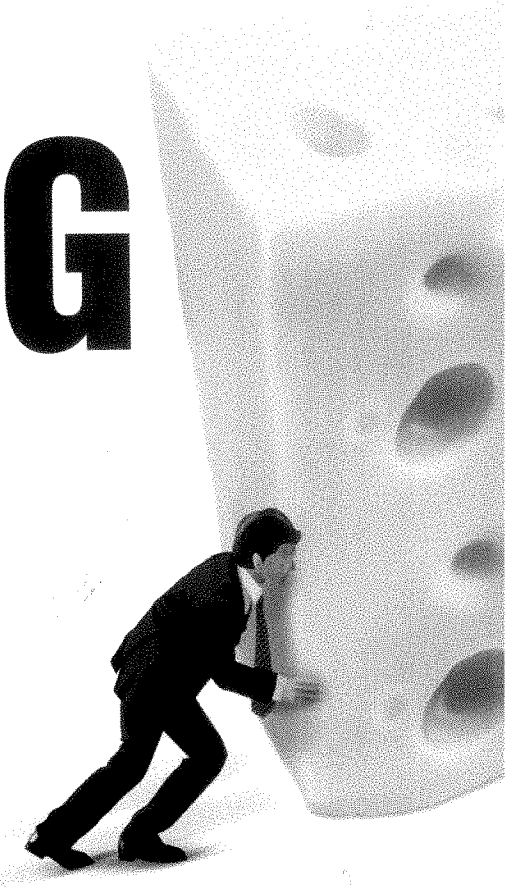
AUDI LEAPS AHEAD 56 | HBR EXCLUSIVE: ZOOM IN, ZOOM OUT 88 | BIRLA-BIYANI: BEST BUY 36 | DEFENCE $50 BN SHOT 64

business today
for managing tomorrow

www.businesstoday.in

May 27, 2012 ₹30

HOW SAMSUNG MOVED NOKIA'S CHEESE



Samsung still sells fewer phones than Nokia in India but makes more money

THE INDIA TODAY GROUP

ONE BANK. TWO CENTURIES. AND A GREAT DEAL OF PROGRESS.

Since our beginning in 1812, we've been privileged to support some of the greatest achievements in modern history. In partnership with our clients, we've helped drive human progress by asking not will it make a rupee, but will it make a difference? And that's a philosophy we'll take forward into the next 200 years.

Visit citi.com/200

200 YEARS citi

citi ©2012 Citigroup Inc.
Citi and Arc Design are registered trademarks of Citigroup Inc.

Publicis Ambience/CITI/12/9063688

EXPO 2012 YEOSU KOREA www.expo2012.kr

HYUNDAI

MEET THE SEDAN THAT'S RECEIVED A STANDING OVATION IN FIFTY COUNTRIES.

Introducing the globally acclaimed all new Sonata.

The Sonata has been designed for the discerning driver and boasts of unprecedented performance, unmatched features and inimitable style. From its orchid inspired strokes to its powerful 2.4L GDi engine that delivers a mighty 201 PS of power, this car is a work of art in its own right.

THE ALL NEW
SONATA
ADMIRED GLOBALLY

2.4L GDi ENGINE
The 2.4L Gasoline Direct Injection (GDi) engine is the most powerful and fuel efficient in-line engine in its class.

SAFETY PACKAGE
An ideal combination of active and passive safety features like ESP, traction control, ABS, active headrests and 6 airbags.

PADDLE SHIFTERS AND CRUISE CONTROL
Paddle Shifters offer lightning fast gear shifts while Cruise Control gives you total peace of mind.

VENTILATED SEATS
The all new Sonata's sea ventilation ensures that circulates throughout the seat constantly to preve discomfort.

430 OUTLETS
658 SALES OUTLETS
790 SERVICE

Call Centre
1-800-11-4645
098-7356-4645
24X7 Road Assist
1-800-102-4645

You Tube 8+ www.hyundai.co.in m.hyundai.co.in

Features & specifications as shown may not be part of standard fitment & are subject to change without prior notice. Hyundai urges you to follow traffic rules - these are meant to

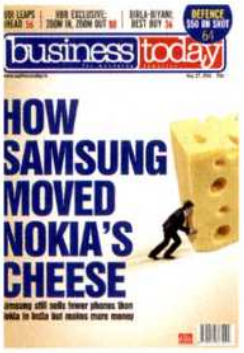
INDIA's BEST WARRANTY

Best exchange value through ADVANTAGE

From the Editor

Competition is fierce and kicking in India, not least between business magazines. Which is why we love being flies on the wall as we watch the 800-pound gorillas slug it out with the upstarts in their pens. The stories are always riveting. They tell us why long-time incumbents drowse at the top of the tree; why value-conscious Indians are willing to spend big bucks on newer devices and wheels; why the user experience is so important to coming up with the best products; and above all, why the government should stay out of competition.

It is interesting that we have the widest, most exciting, constantly innovative and consumer-delight choices in the two sectors that the Indian government has allowed the greatest competition in – and permitted 100 per cent foreign investment in: mobile phones and automobiles. This fortnight, Special Correspondent Sunny Sen got his hands on both. In the cover story (page 48), he describes how South Korea's Samsung has sneaked up on leader Nokia in the world's second-largest and fastest-growing mobile market. The two phone makers are quite different of course. Nokia started as a paper maker in Finland in 1871. Samsung comes with a shorter history of manufacturing, from 1938, but is a true chaebol, a powerhouse that is most well known for its high-tech electronics. Both companies entered India in the mid-1990s, but Nokia became the brand of choice for millions of Indians suddenly experiencing the joy of calling up somebody anytime, anywhere. Mobile telephony was very different in those early years. I remember having to carry a SIM card for each city I travelled to, until GSM roaming arrived in 1998. Phone calls were expensive. Nokia grabbed commanding market share from its Western rivals, Ericsson and Motorola. Its phones were more rugged, and designed to withstand punishment in India from sweat, dust, trauma and much else. It became the Ambassador car of the chattering classes, with service centres all over the country, easily available parts, and dependability. It was even the first to lure our gardeners, vegetable vendors and migrant labourers with dual-SIM phones. But as aspirations grew, and our phones became handheld computers, and we began to use those thingummyjigs in our palms for information, music, games, and everything that a personal assistant does, Samsung sprang into the gap that Apple's iPhone had failed to fill in India, with its smartphones – and that is where it also achieved world dominance in the first quarter of 2012. Nokia and Samsung share a major weakness – both are in danger of being commoditized hardware makers dependent on software owned by somebody else: Samsung on Google's Android, and Nokia now on Microsoft's Windows Phone. Nokia is retreating from its own Symbian platform; Samsung is toying with its bada and Tizen. Google, meanwhile, has bought Motorola and that is bad news for the only major hardware-and-software player, Research In Motion and its BlackBerry.



Sen and Executive Editor Suveen Sinha also narrate the tale from page 56 of another guerrilla attack – of Audi overtaking once-market leader Mercedes and tailgating BMW in India's exploding luxury car market. This is an all-German war and it is being fought on our crowded streets.

Ironically, another huge market that is in dire need of more foreign direct investment is India's armaments industry. The government dreams of producing more than two-thirds of its air, sea and land defences domestically. This can only happen if the private sector plays a much larger role. Associate Editor Kushan Mitra, in a sweeping analysis starting on page 64, racks up the stark numbers: the private sector's share is now a paltry $500 million, one per cent of the potential market of $50 billion.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

business today

http://www.businesstoday.in

Editor-in-Chief: Aroon Purie
Chief Executive Officer: Ashish Bagga

Editor: Chaitanya Kalbag
Managing Editor: Josey Puliyenthuruthel
Executive Editor: Suveen K. Sinha
Deputy Editors: Debashish Mukerji, K. Sai Srinivas
Special Projects Editor: Alokesh Bhattacharyya
Assistant Editor (Web): Anika Gupta

CORRESPONDENTS
Senior Editors: Anand Adhikari, Suman Layak, N. Madhavan, Shamni Pande, Sanjiv Shankaran
Associate Editors: K.R. Balasubramanyam, Kushan Mitra, Shweta Punj, E. Kumar Sharma, Anusha Subramanian, Goutam Das
Assistant Editor: Rajiv Bhuva
Special Correspondents: G. Seetharaman, Manu Kaushik, Taslima Khan, Anilesh Mahajan, Sunny Sen, Geetanjali Shukla
Trainee Reporters: Anand J., Manasi Mithel, Dearton Thomas Hector

COPY DESK
Senior Editor: Uma Asher
Associate Editor: Allan Lasrado
Chief Copy Editor: Gadadhar Padhy
Copy Editors: Basudha Das, Roopali Joshi

PHOTO DEPARTMENT
Photo Editor: Vivan Mehra
Deputy Chief Photographers: Shekhar Ghosh, Deepak G. Pawar
Senior Photographer: Aditya Kapoor
Principal Photographer: Rachit Goswami
Photographer: Nishikant Gamre
Photo Researcher: Palak Neb

ART DEPARTMENT
Art Director: Kapil Kashyap
Deputy Art Director: Rajat Baran Chakravartty
Assistant Art Directors: Anita Jaisinghani, Anand Sinha
Senior Visualisers: Vikas Gupta, Santosh Kushwaha, N. Ravishankar Reddy

PRODUCTION DEPARTMENT
Chief of Production: Dinesh Sachdeva
Production Coordinators: Narendra Singh, Rajesh Verma
Senior Supervisor: Rajkumar Wahi
Senior DTP Designer: Mohammed Shahid

RESEARCH DEPARTMENT
Senior Research Analyst: Gautam Aggarwal
Librarian: Vijaylakshmi Vardan
Assistant Librarian: Satbir Singh

Group Business Head: Manoj Sharma
Associate Publisher (Impact): Anil Fernandes

IMPACT TEAM
Senior General Managers: Sonal Pandey (West & South), Sunil R. (Bangalore), Kaustav Chatterjee (East), V. Somasundaram (Chennai), Jitendra Lad (West)
General Manager: Nilesh Kadam (North)

Marketing: Vipul Hoon, General Manager

Head-Consumer Marketing Services: Poonam Sangha, Senior General Manager

News-stand Sales: D.V.S. Rama Rao, Chief General Manager; Vinod Das, Senior General Manager (National); Rajesh Menon, General Manager (West); Deepak Bhatt, General Manager (South); Joydeep Roy, Manager (East); Rakesh Sharma, General Manager (Operations)

INDIA TODAY GROUP

Vol. 21, No. 11, for the fortnight May 14-27, 2012.
Released on May 14, 2012.

● Editorial Office (Delhi) 5th Floor, Videocon Tower, E-1, Jhandewalan Extn., Delhi-110055; Tel.: 011-23684812-15; Fax: 011-23684819; E-mail: btoday@giasdl01.vsnl.net.in ● Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel.: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel.: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel.: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel.: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel.: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel.: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel.: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel.: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no:1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com
● Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-4019500; Fax: 0120-4019664 © 1998 Living Media India Ltd. All rights reserved througout the world. Reproduction in any manner is prohibited. Published & Printed by Ashish Bagga on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana) and at Plot No. 5-5/A, TTC Industrial Area, Thane Belapur Road, Airoli, Navi Mumbai-400 708 (Maharashtra). Published at K-9, Connaught Circus, New Delhi-110 001.
● Business Today does not take responsibility for returning unsolicited publication material.
All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only

SYNDICATIONS TODAY
For **reprint rights and syndication** enquiries, contact syndications@intoday.com or call +91-120-4078000
www.syndicationstoday.in

WHEREVER YOU GO, YOUR BANK TRAVELS WITH YOU

BARODA M-CONNECT makes banking possible anywhere, anytime.

*Conditions apply

- FREE INTER-BANK INSTANT PAYMENT
- FREE MOBILE TOP-UP

BARODA next
STATE-OF-THE-ART. STRAIGHT FROM THE HEART.

Contact Centre - 1800 22 33 44
1800 102 44 55
www.bankofbaroda.com

बैंक ऑफ़ बड़ौदा
Bank of Baroda
India's International Bank

ENERGY: INNOVATING OUT OF A CRISIS

Energy policy wonk **S.L. Rao**, solar entrepreneur **Harish Hande**, TERI Director General **R.K. Pachauri**, and Infosys Co-Chairman **Kris Gopalakrishnan** (*left to right in pic, respectively*) participate in a panel discussion on the crisis in energy, industry's response and the innovation opportunities therein. *BT* Managing Editor **Josey Puliyenthuruthel** moderated the discussion at the Infosys campus in Bangalore. ▸ **businesstoday.in/infy-panel**

PODCAST

***BT*'s Anilesh S. Mahajan and Sanjiv Shankaran talk about India's evolving sports sponsorship programmes, and what it will take for Indian athletes to win at the London Olympics.**

businesstoday.in/games12-podcast

BLOGS

Anand Adhikari
Making Sense

Faced with yawning fiscal deficits, governments turn to taxes to make up the shortfall.

businesstoday.in/anand

Taslima Khan
Startup Today

The past decade was good for venture capital firms and private equities, but the future will not be easy.

businesstoday.in/startuptoday

PERSPECTIVES

Performance Problems?

Shrinkage in assets under management is not the only bad news for the mutual funds industry, says **Rajiv Bhuva**. ▸

businesstoday.in/mf-problems

Wipro Expands

Promax is Wipro's 17th IT acquisition since 2002, says **Goutam Das**. ▸

businesstoday.in/wipro-promax

Negative Outlook

S&P downgraded India's outlook, suggesting doubts about the recently-tabled Budget will not go away: **Rajiv Bhuva**. ▸

businesstoday.in/sp-outlook

Wipro's Mixed Bag

The company delivered mixed results, says **Goutam Das**. ▸

businesstoday.in/wiproq4-12

Kerala Dreams

The state sets out to correct its investor-unfriendly image, says **Dearton Thomas Hector**. ▸

businesstoday.in/kerala-brand

TCS Comes Through

TCS's encouraging results suggest not all is bad with the industry, says **Goutam Das**. ▸

businesstoday.in/tcsq4-12

business today

SMART READER CONTEST

Answer this simple question by June 1 and get a chance to win a Reebok bag.

How much is the Indian private sector's current investment in defence manufacture?

(a) Less than ₹2,500 cr (b) More than ₹2,500 cr (c) Less than ₹1,500 cr

Correct answer to April 29 issue's question:
Which of the following is least likely to engage a virtual CFO?
(b) Large company
Winners: Mahantesh Morabad (Bangalore), Bhujaga Nandyala (Hyderabad), Andaleeb Rahman (Mumbai)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 91 correct responses

SIEMENS

Clean drinking water for all, today and every day.

Siemens answers are helping communities keep their water reserves clean.

Less than one percent of our planet's water resource is drinkable. Keeping it pure and clean is a tough job. With Siemens water treatment systems, communities are keeping their supply of scarce drinking water clean. Through our leadership in providing cost-effective and sustainable water treatment systems, we are helping big and small corporations and communities manage their water resources better. When the world is looking for ways to conserve water for generations to come, Siemens has the answers that last.

Official Partner

INFINITE OPPORTUNITIES | GERMANY + INDIA 2011–2012

siemens.com/answers

CONTENTS

COVER BY KAPIL

MAY/27/2012
VOLUME 21/NUMBER 11

10

UPFRONT

10 | Quick takes on major events

12

FOCUS

12 | 55 to the Dollar?
The rupee's continuing decline seems to be a given, and there is little that RBI can do about it

16 | Dropping the Tab
A key security measure is about to trip because no one wants to pay for it

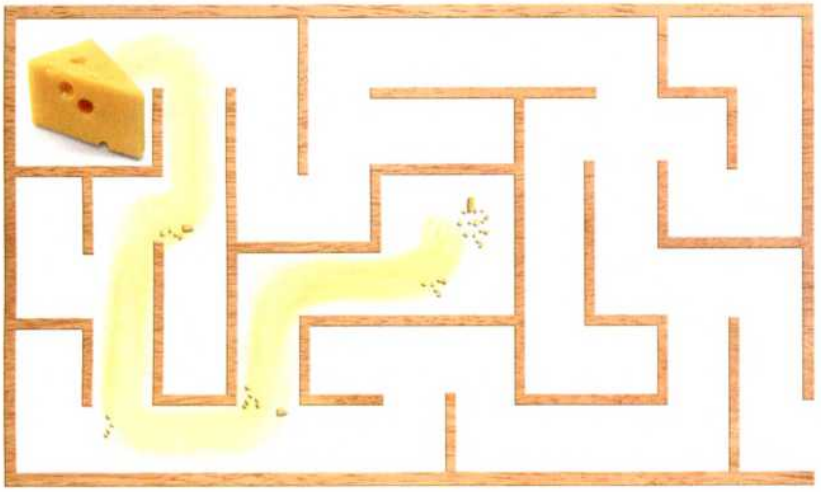
22 | Graphiti: A Spectrum of Concerns
How the auction of the 122 cancelled licences will impact the industry and subscribers

24

24 | India's Malaria Cure
The launch of Synriam underlines the importance of government-industry collaboration

COVER STORY: SAMSUNG VS NOKIA

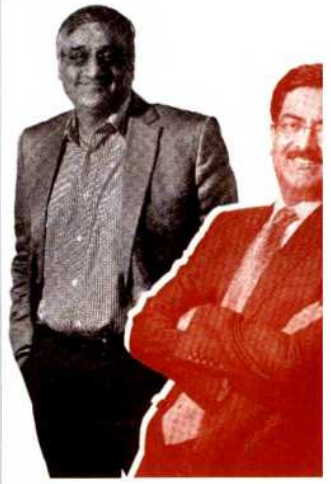
HOW SAMSUNG MOVED NOKIA'S CHEESE



48 | Samsung knocks the wind out of Nokia. And, the pain will not go away soon

36

FEATURE



36 | Friendly Takeover
How a deal among friends helps Kishore Biyani survive the debt ordeal

40 | State of Limbo
Uncertainty over Telangana is making investors wary of Andhra Pradesh

44

COLUMN
44 | **BIT of Legal Bother** by Sanjeet Malik

46 | **A Study in Contrasts**
While unorganised jewellers are fighting new government regulations, the organised sector is in expansion mode

56

56 | **Achtung! Audi**
A Mercedes alumnus takes Audi past his old master. But BMW is a faster moving target

64

64 | **A Shot at $50 Billion**
With the arms industry opening up, Indian companies could make a killing

74 | **Inert State**
A policy flip-flop has halted the nascent coal bed methane industry in its tracks

78 | **Exit the Dragon**
Indian drug makers are trying to shake off their dependence on China

82

82 | **The Power of One**
Websites specialising in a single product are gaining traction

86

86 | **Unquenchable Thirst**
Milk prices spiral as demand outpaces rising production

88 | ***HBR* Exclusive: Zoom In, Zoom Out**

98

MONEY

98 | **How to Fund Your Venture**

LBNL

102 | **A Stand-up Job**
Stand-up comedy in English is drawing fans in Indian cities

BT-DRIVE
105 | **Smoother Automatic**

P-TECH
106 | **Sound Ideas**

EXECUTIVE HEALTH
109 | **Vital Travelling Companions**

BOOKEND
111 | **"Meetings Should Be Fun..."**

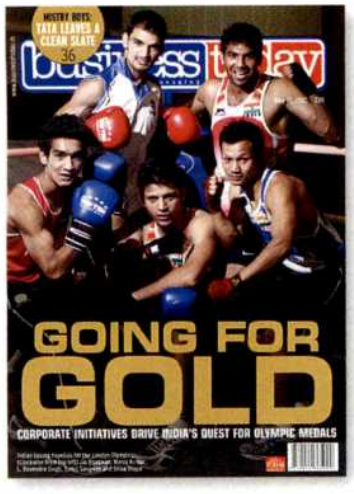
CAREERS
113 | **Durable Opportunities**

116 | PEOPLEBUSINESS

LEADERSPEAK
120 | **Siddhartha Lal,** MD & CEO, Eicher Motors Ltd

Olympic Medal Quest

Your cover story *Going for Gold* (May 13) was topical, what with the 2012 Summer Olympics in London less than 100 days away. Having struck gold at the Beijing Olympics in 2008, Abhinav Bindra is looked up to by not just shooters, but also all other sportspersons. They all want to emulate Bindra's gold. Thus



it is heartening to find corporate India doing its bit to help improve India's medal tally, spending liberally on improving facilities and infrastructure, with nary a thought about profit. Our country can definitely produce more medal winners if private and government initiatives combine to provide those talented with opportunities to develop their talent.

Kamal Chaudhary, *Lucknow*

www.facebook.com/BusinessToday

IIM Indore student offered ₹53 lakh annual pay: Wats the big fuss abt it??? I dont understand...
Karun Bir Singh Sandha

SC dismisses review petitions of telecom companies: Wish I could Gift my Dear Friend (i.e. Defense Issued XXX OLD MONK Rum) to the Learned Judges for this Lovely Decision
Deepankar Roy

One million cars exported so far, wow! Take note, the Hyundais and the Hondas of the world @BT_India: Maruti Suzuki passes another milestone
mehul kumar

Rough Ride

The Infosys star is not shining all that bright (*InfyNitty-Gritty*, May 13). Every company goes through difficult phases and the Bangalore-based software giant has some tough choices to make going forward. But I'm sure it is only a matter of time before Infosys bounces back on top.

Geeta Seth, *Chandigarh*

Learnings from the Peak

Lessons in Peak Performance (May 13) made for an interesting read. Who would have thought that executives can learn how to tackle stress and risks from mountaineers?

Pallavi Kochchar, *Pune*

Corrections

The People item on Pradeep Sindhu (Tinker at Heart, *April 1, page 125*) *incorrectly refers to him as Founder of Juniper Systems. It should have been Juniper Networks.*

The captions accompanying the photographs on pages 54-55 (Going for Gold, *May 13) have been mixed up. They should read: "3-5. Athlete Maha Singh, Weightlifter Ravi Kumar, Boxer Jai Bhagwan respectively at the National Institute of Sports, Patiala. 6. Wrestler Rajiv Tomar at the Guru Hanuman* akhara *in Delhi".*

Send all your comments to editor.bt@intoday.com

www.businesstoday.in/coverstory: *Going for Gold* (May 13) takes a look at how corporate initiatives drive India's quest for Olympic medals

www.businesstoday.in/coverstory: *India's Best CFOs* (April 29) talks about the *BT*-YES Bank survey on top CFOs and their challenges

BT SCRAPBOOK
- React to articles in BT
- Suggest story ideas
- Share your experience as consumer or SME
- See what others have to say on our stories on scrapbook at www.businesstoday.in

HOW TO CONTACT BT

WRITE TO:
The Editor, Business Today, Videocon Tower, 5th Floor, E-1, Jhandewalan Extension, New Delhi–110055.
E-mail: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.businesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India;
Toll free no. 1800 1800 100 (from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

THE MOST INNOVATIVE AND SUCCESSFUL COMPANIES IN THE WORLD ARE BUILDING ON THE CISCO INTELLIGENT NETWORK.

496 OF THE FORTUNE GLOBAL 500

93% OF THE LEADING FORTUNE GLOBAL 500 TELECOM PROVIDERS

92% OF THE TOP FORTUNE GLOBAL 500 RETAIL COMPANIES

THE LEADING FORTUNE GLOBAL 500 HEALTHCARE COMPANIES

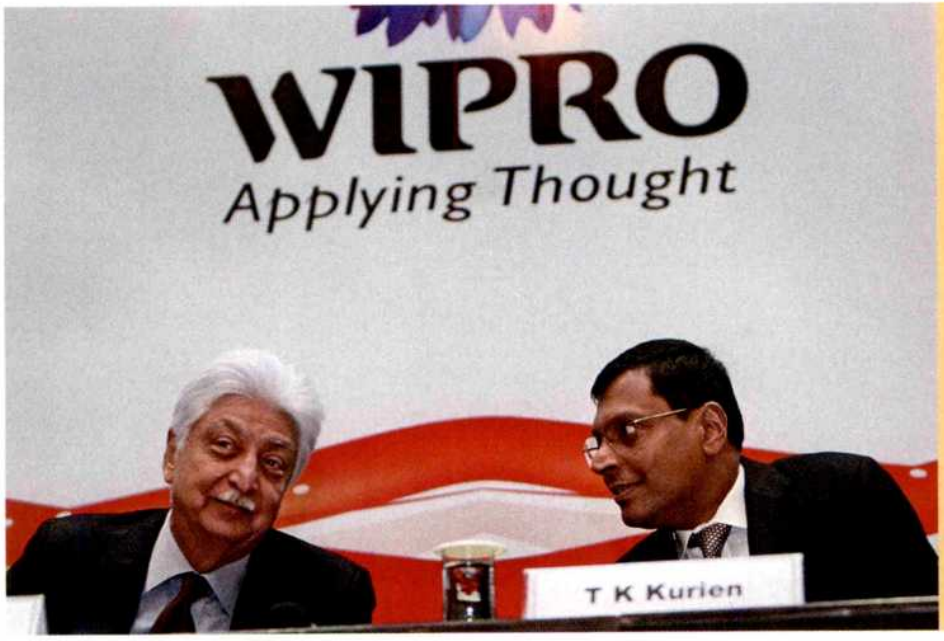
VIRTUALLY ALL OF THE FORTUNE GLOBAL 500 FINANCIAL SERVICES COMPANIES

AND ALL INDIAN COMPANIES IN THE FORTUNE GLOBAL 500

The Cisco Intelligent Network is transforming how companies of every industry and every size, across the world, are doing business. We have the people, the solutions, the partners, the services and the support to help your business innovate in entirely new ways. Find out how at cisco.in/build

To scan the QR code, use your existing barcode reader app or SMS: F2K CISCO TO 56677 to get free scanner app.

BUILT FOR THE HUMAN NETWORK



Adding Another Pearl: Wipro has announced the acquisition of Australian analytics product firm Promax Applications Group in an all-cash deal of A$35 million, its 17th in the IT business since 2002. Wipro Chairman **Azim Premji** (left) and IT business CEO **T.K. Kurien** have more reason to cheer, having beaten rival Infosys in quarterly revenue growth rates. Wipro, however, guided to a tepid June quarter.

Corporate

Top telcos, including **Bharti Airtel**, **Vodafone** and **Idea**, have joined hands to protest telecom regulator TRAI's spectrum auction proposals. They have warned that if implemented, these could lead to a 100 per cent jump in call rates. The telcos are seeking an 80 per cent cut in the base auction price. TRAI has proposed a base price of ₹3,622 crore per MHz of spectrum in the 1,800 MHz band, which is over 10 times the 2008 price, and an even higher price for spectrum in the 900 MHz band. (See also pages 20-23.)

Adidas may lose ₹1,350 crore as fraud hits its **Reebok** business in India. Ergo, it will cut one third of the Reebok stores. It is a rare instance of a multinational acknowledging questionable practices at its Indian operations.

Reliance's troubles with the petroleum ministry, with whom it once enjoyed a cosy relationship, are far from over. In the latest episode, the ministry has imposed a penalty of about ₹ 6,600 crore on Reliance for its dipping gas output from the KG-D6 block. The ministry said RIL had violated the production sharing contract and drilled fewer wells.

Cipla has done it again. A decade after drastically cutting HIV drug prices, the pharma major has now taken on competitors by slashing prices of key cancer drug by 75 per cent. This is expected to bring down prices of drugs that combat kidney and lung cancers, and brain tumours. See also *businesstoday.in/pharma-future*

Steel tycoon **Laxmi Mittal** retained his top spot in Britain's rich list for the seventh year in a row. Although Mittal's net worth came down by £4,814 million, he and his family were still the richest with a net worth of £12.7 billion, as per the annual **The Sunday Times Rich List** released recently. Mittal is marginally ahead of Russian iron ore magnate, **Alisher Usmanov**, who takes second place with an estimated worth of £12.3 billion.

CARICATURE BY SANTOSH

Issues of corporate governance – or the lack of it – are hitting News Corp Chairman Rupert Murdoch hard. UK lawmakers said he is unfit to lead a global company. Murdoch's British unit have misled Parliament about the extent of phone hacking at its now defunct News of the World tabloid.

Rising subscription costs charged by academic publishers is snowballing into a major debate over access to academic research. Harvard University has encouraged its faculty members to make their research freely available through open access journals. It has also asked them to resign from publications that keep articles behind paywalls. Prices for online access to articles from two major publishers have increased 145 per cent over the past six years.

Economy

Growth has slowed sharply in the core sectors, on account of a fall in crude oil, natural gas and petroleum refinery output. **The eight key industries reported a growth of just two per cent in March as compared to 6.5 per cent in the year-ago period**. Weaker demand is hitting Indian manufacturing hard, showed the the HSBC India Manufacturing Purchasing Managers' Index. The PMI was at 54.9 in April as compared to 54.7 in March, a slow pace of growth in recent times. Services sector growth gained momentum, rising to 52.8 in April from 52.3 in March, largely on account of the rise in new businesses.

The Reserve Bank of India has issued final norms for implementing the **Basel III international accounting standards, which are intended to avert a credit crisis by strengthening the lenders'capital base**. Indian banks may need at least $30 billion as capital over the next six years, starting January 1, 2013 till March 31, 2018. This buffer capital must be in the form of equity.

Indian firms' investments overseas declined in April, **with total outbound foreign direct investment at $2.67 billion (around ₹14,200 crore) as compared to $2.77 billion in March**. Most Indian chief financial officers are not optimistic about the risk environment improving, according to **Dun & Bradstreet**.

38%

Jump in bilateral trade between India and Japan in 2011/12. After the signing of the comprehensive economic partnership agreement last year, bilateral trade rose to $18.3 billion versus $13.4 billion last year. India will export 2 million tonnes of iron ore to Japan annually for the next three years.

₹10,843 cr

Estimated direct selling business in India by 2014/15. It is worth ₹5,229 crore now.

₹13.72 trn

Power sector funding required in the 12th Five-Year Plan. Power generation needs about ₹6,38,600 crore and electricity distribution ₹3,06,235 crore.

Markets

UK-based FTSE 100 index made its debut on the National Stock Exchange on May 3, clocking a turnover of around ₹500 crore. Most of the trading was in futures, which recorded a turnover of ₹275 crore.

Moody's has placed **Life Insurance Corporation's** current rating, 'Baa2 stable', under review for a possible downgrade. The reason: the insurance giant's increasing exposure to the public sector. In the latest quarter of the financial year 2011/12, LIC pumped in nearly ₹22,000 crore in public sector units, out of its total equity investment of ₹45,000 crore. The global ratings agency has also placed **ICICI Bank**, **HDFC Bank** and **Axis Bank** under review for a downgrade.

Coming Up

- The government is planning to re-start its disinvestment programme from June with a stake sale in Rashtriya Ispat Nigam.
- A new steel policy will be finalised in a couple of months. It will focus on achieving 10 per cent growth to meet the projected demand of 200 million tonnes by 2020. Steel output is around 72 million tonnes now, with a compounded growth of 5 per cent.
- Tata-owned Jaguar Land Rover is planning new models at its UK plant. It intends to invest around £200 million to expand its facility by 50 per cent.

FOCUS

16 Costly new service
20 Telecom Troubles
24 India's malaria cure
34 Electing a President

55 to the Dollar?

The rupee's continuing decline seems a given, and there is little that the Reserve Bank can do. By RAJIV BHUVA

21%
The rupee's decline against the US dollar in a year

As if sticky inflation isn't worry enough, the Reserve Bank of India (RBI) has to deal with the sliding rupee. At 53.9225 to the dollar on May 4, the rupee has weakened by 20.93 per cent in a year. The exchange rate was 44.59 on May 4 last year. "Such a huge depreciation tarnishes the image of a growing economy," says Venugopal Dhoot, Chairman of the $4 billion Videocon Group, whose interests include consumer goods, power, and oil and gas.

More than the magnitude of the rupee's depreciation, it is the speed of the decline that is troubling RBI. The recent slide has not caught the central bank unawares. Last year, when the greenback gained, the exchange rate reached 54.305 rupees to the dollar on December 15, 2011. This was an all-time low for the rupee, which had hit a year's low of 43.855 on July 27 – a 23.83 per cent drop in 91 trading days.

Dhoot says one of the reasons for the rupee's decline is that investment inflows are thinning as investor confidence fades. Exporters benefit in such a scenario, while importers and borrowers with liability in foreign currency suffer. "Companies take view of the direction of currency movement and then decide to hedge," says RBI Deputy Governor Anand Sinha. But not all companies hedge, so the declining currency is likely to hit many bottom lines.

Oil imports are where a weak rupee hurts India the most. At $155.6 billion, oil accounted for nearly 32 per cent of total imports ($488.6 billion) in 2011/12. A weak rupee increases the import bill and cancels out the benefit of any decline in global crude prices.

In its April 17 monetary policy, RBI said that given the vulnerabilities arising from the fiscal and current account deficits, raising the prices of petroleum products to reflect their true production cost is essential for macroeconomic stability.

The Indian rupee is not the only currency to slide against the dollar. The Brazilian real, South African rand, Indonesian rupiah and South Korean won have all weakened (See *Slide Show*). The reason India's case is more serious, however, is the trade and current account deficits. For 2011/12, the trade deficit is estimated at $184.92 billion – nearly 56 per cent higher than the previous year's $118.63 billion.

Singapore-based Manoj Vohra, Director, Asia-Pacific, at Economist Intelligence Unit (EIU), forecasts the rupee's annual average exchange rate at 50.7 a dollar for the 2012 calendar year. It was 46.7 in 2011. Vohra says average annual exchange rate forecasts for the year-end are better than a specific rate, given that forex markets are affected by global developments continuously.

"We won't be surprised if the rupee performs worse than most Asian currencies this year," says Vohra. He expects rupee depreciation to be driven by the trade and fiscal deficit on one hand and weak capital flows on the other. At 5.9 per cent in 2011/12, the fiscal deficit surpassed estimates; and for the 2012/13, the Budget forecasts the deficit to be 5.1 per cent.

"India's balance of payments dynamics remain worrying," says Singapore-based Rajeev Malik, Senior Economist at broking firm CLSA. In a research note in early April, Malik predicted that the current account deficit would be a record $67 billion (3.7 per cent of GDP) in 2011/12, and would widen to $73 billion (3.9 per cent of GDP) in 2012/13. "It is well beyond the comfort level of policy makers, and its financing is heavily reliant on volatile capital inflows," he says.

"The rupee will be under pressure for the next six to nine months," says EIU's Vohra. The eurozone's continuing problems, he says, will keep investors' risk appetite subdued. If oil prices keep rising, India's fiscal deficit will exceed Budget projections, he adds.

SLIDE SHOW

Annual depreciation against the US dollar as on May 4, 2012

21%	21%	17%	8%	8%	5%	2%
Brazilian real	Indian rupee	South African rand	Indonesian rupiah	Russian rouble	South Korean won	Taiwan dollar

Source: OANDA

"IMPORTS OF UNNECESSARY ITEMS SUCH AS GOLD NEED TO BE CURBED"

Venugopal Dhoot, Chairman, Videocon Group

CLSA forecasts a dollar rebound in the second half of 2012. That, combined with balance of payment pressures, could weaken the rupee further, unless there is corrective policy action. "We maintain our end-2012 forecast of 55 rupees a dollar," says Malik.

RBI has already highlighted the burgeoning current account deficit as a risk to GDP growth. It has forecast 7.3 per cent GDP growth in 2012/13. RBI's Sinha admits that financing the current account deficit will be a challenge. "We have reached a discomfort zone," he says.

The main reason the current account deficit shot up in 2011/12 was the surge in gold imports to $58 billion. In a speech in New Delhi in late April, C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council, said: "I see the current account deficit falling in this fiscal partly because of a decline in gold imports." The trend of using gold to hedge against inflation is likely to lose traction this year as overall inflation is expected to decline, he added. He expected a similar trend in coal – another contributor the current account deficit – as increasing domestic production would lead to a fall in imports.

To arrest the rupee's slide in December last year, the government introduced measures such as enhancing the limit for foreign institutional investment in debt and raising the import duty on gold by 300 per cent (from one to four per cent of the value of the import). RBI tightened the norms for rupee forward contracts, established a $15-billion bilateral swap line with Bank of Japan, raised interest rates on non-resident deposits and announced relaxations in external commercial borrowing. It also sold dollars on the market. Between September 2011 and February 2012, its market intervention totalled $20.13 billion. Of this, 75 per cent ($15.11 billion) was in December 2011 and January 2012.

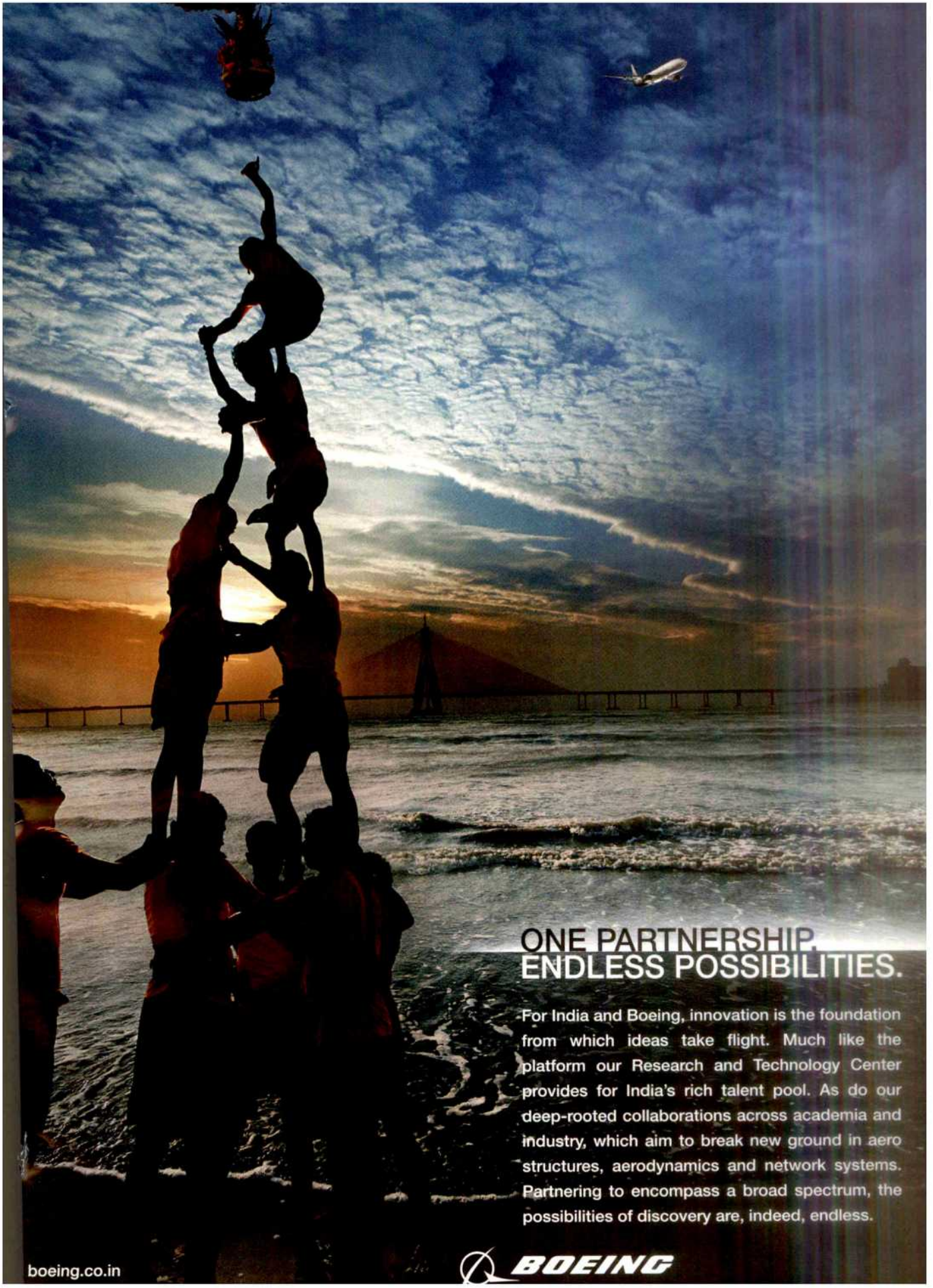
On May 4, RBI repeated what it did last December – it raised the interest rate ceiling on NRI deposits. For deposits with a maturity period of one to less than three years, the ceiling was raised from 125 basis points above LIBOR to 200 basis points. RBI raised the ceiling on deposits of three to five years from 125 to 300 basis points. Also, to increase the availability of funds for exporters, it has allowed banks to determine their interest rates on export credit in foreign currency. Previously, the interest rate ceiling on this was LIBOR plus 350 basis points.

Market intervention by RBI would strain the system, as selling dollars is a drain on rupee liquidity. It goes against RBI's stance of ensuring liquidity, which has led it to pump over ₹2 trillion (one trillion equals 100,000 crore into the system by reducing the cash reserve ratio and through open market operations. So, is intervention a given, or will RBI pull a rabbit out of its hat? Sinha is clear that RBI does not chase an exchange rate band; it intervenes to reduce volatility. "We constantly look at the unfolding scenario, but it is hard to forecast anything at present," he says. Videocon's Dhoot says intervention is not a solution as it is based on a market dynamic: when RBI sells dollars, somebody buys them. "Imports of unnecessary items such as gold need to be curbed," he says.

The rupee is likely to give many people sleepless nights for a while. ◆

ADDITIONAL REPORTING BY SANJIV SHANKARAN

MARKET INTERVENTION BY RBI WOULD STRAIN THE SYSTEM, AS SELLING DOLLARS IS A DRAIN ON RUPEE LIQUIDITY


ONE PARTNERSHIP.
ENDLESS POSSIBILITIES.
For India and Boeing, innovation is the foundation from which ideas take flight. Much like the platform our Research and Technology Center provides for India's rich talent pool. As do our deep-rooted collaborations across academia and industry, which aim to break new ground in aero structures, aerodynamics and network systems. Partnering to encompass a broad spectrum, the possibilities of discovery are, indeed, endless.
boeing.co.in
BOEING

Dropping the Tab

A key national security measure is about to trip because no one wants to pay for it. By SUVEEN K. SINHA

JUNE 1 IS THE DEADLINE TO START PROVIDING LOCATION DETAILS OF SUBSCRIBERS WITHIN 50 METRES IN URBAN AREAS

For a tribe that lives by voice, and other kinds of communication, it is amusing to see telecom service providers suddenly go silent. Which is what they do when you utter two words: location details.

"Nobody... I can tell you... Nobody will speak on record on this," says an executive of one of the largest companies. The head of corporate communications of another was more forthcoming, relatively speaking. He sent a few emails over the course of a few days, only to say he was not certain about what was happening.

It is time they found that out. By the time you get this magazine in your hands, there will be only a few days left to meet the June 1 deadline set by the department of telecommunications (DoT) for mobile telephony companies (telcos) to provide location details of their subscribers down to 50 metres in urban areas.

In the first year, the accuracy of the location details has to be at least 30 per cent, and this has to rise to 50 per cent the next year. In the second year, the suburban

CATERPILLAR
Over 300% growth in Asia Pacific and
a mountain of success for Caterpillar.
High performance. Delivered.

₹500 CRORE MAY BE THE COST OF DOING IT

and rural areas also come in, where location details have to be provided down to a range of 100 metres with an accuracy of at least 50 per cent.

In remote areas such as the North-East, which would presumably have fewer towers and base stations and where signals are more likely to get disrupted, the range is 300 metres.

The measure is driven by concerns of national security and DoT is pursuing it in earnest. Its seeds lie in the helicopter crash that killed former Andhra Pradesh Chief Minister Y.S. Rajasekhara Reddy in September 2009. It took nearly 24 hours to locate the helicopter in the dense Nallamalla forest. Since then, every terror attack, including the one in February on an Israeli diplomat's car in New Delhi, has fuelled the idea.

The idea itself is a no-brainer, and no one would oppose doing something demanded in the interests of national security. It is execution that is the problem.

India was the first country to demand such a short range; the United States became the second a few months back. So telcos are still feeling their way around it.

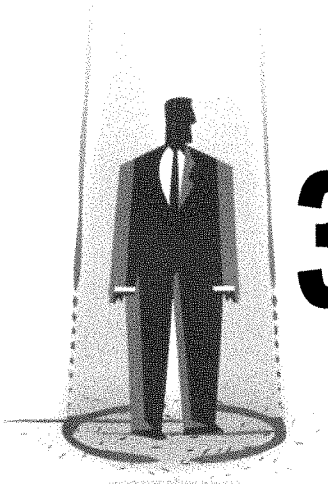
Already locked in battle with the Telecom Regulatory Authority of India's recommendations to increase spectrum charges several times over, they are also feeling their pockets. The cost of installing the software and hardware needed to track a mobile user to within 50 metres may be ₹500 crore or more for each service provider.

It is not that location details are not available now. They are, but up to a range of 500 metres. With an incremental cost, this can be improved to 300 metres. But 50 metres is a different call.

The good news is that it can be done. Last month, Manlio Allegra, CEO of the Mountain View, California-based Polaris Wireless (not to be confused with the Chennai-based Polaris headed by Arun Jain) gave a demonstration to this correspondent in which he successfully tracked a phone user.

Polaris had given a similar demonstration to the Centre for Development of Telematics, the government's telecom technology development centre, in August 2009. Using a radio frequency survey in New Delhi's business district of Connaught Place, its system tracked a person to the Metro station on Barakhamba Road; it only failed to pinpoint which of the four exits he was at.

The mobile service operators are less convinced. At a three-hour meeting in the Cellular Operators Association of India (COAI)'s office in New Delhi on Friday, the day this magazine was put to bed, the chief technology officers of several service providers asked the representatives of Polaris and CommScope, another company that says it has the technology, whether it could be done.



30% IS THE ACCURACY REQUIRED IN THE FIRST YEAR AND 50% IN THE SECOND

₹50 CRORE IS THE FINE FOR NOT DOING IT

"Apart from the technical questions, there was a sharp focus on the funding. The telcos seem to believe that they are being squeezed in the name of national security and that the government should subsidise them," says a person who attended the meeting.

Rajan Mathews, COAI's Director-General, agrees that the funding is a ticklish issue. "DoT says we have to bear the cost. But we are pushing DoT to see if there are some reasonable costs that both sides can agree to bear."

Manish Gupta, Director, Cogence Advisors, a boutique investment bank that advises Polaris, has a different take on the cost aspect. He says that for a large service provider, say, one with 200 million subscribers, the cost can be broken down to about ₹25 per subscriber. "Can you not think of ways to recover this amount from each of your subscribers? Many of them will be happy to pay this amount every month just for receiving traffic updates." McDonald's, for instance, can advertise coupons that expire in 10 minutes within a 50-metre radius far more effectively than in a 300-metre range.

Mathews disagrees. "The location-based service that meets DoT's requirements does not have any commercial application," he says.

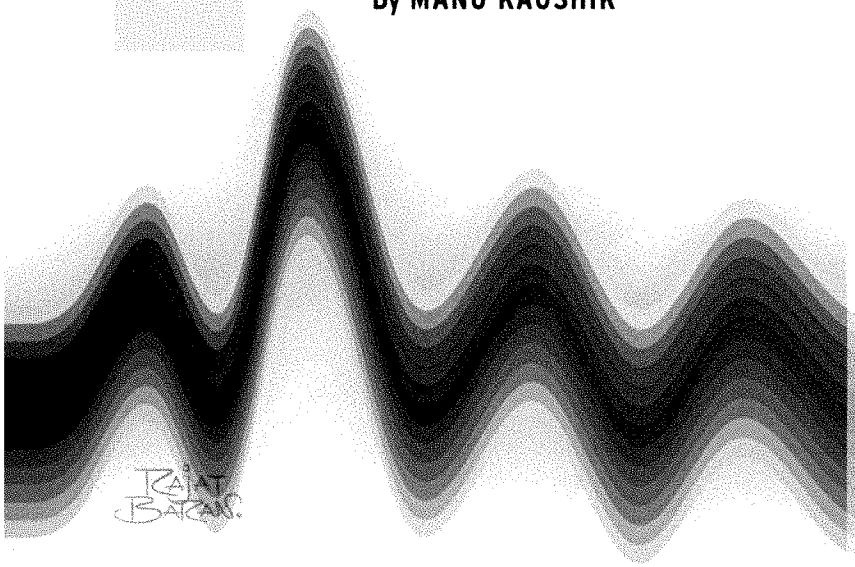
In this scenario, can compliance with the location details requirement happen on the appointed date? "Certainly not," says Mathews. "We are equally concerned about national security, but there are 900 million connections. DoT has to be reasonable." ◆

Send your comments to editor.bt@intoday.com

Alarming Sounds

The Telecom Regulatory Authority's suggestions on spectrum allocation have shocked the industry.

By MANU KAUSHIK



What's proposed: The Telecom Regulatory Authority of India (TRAI) has proposed a new base price for the auction of 2G spectrum across different bands. It has recommended a price of ₹7,442 crore per megahertz (MHz) for the 800 and 900 MHz bands, and ₹3,622 crore per MHz for the 1,800 MHz band. It has also said the entire spectrum available should not be auctioned at one go. Only 5 MHz should be given in each circle, followed by more auctions over the next three years.

The auction will be held before August 31 this year, as directed by the Supreme Court.

TRAI has also suggested reducing the spectrum usage charge to one per cent of the adjusted gross revenue, down from three to eight per cent at present. Again, it wants spectrum in the 800 and 900 MHz bands currently held by telecom operators replaced with spectrum in the 1,800 and 1,900 MHz bands respectively. The former are technically superior bands and are currently being used to provide GSM services. TRAI wants these bands freed up for 3G and 4G services.

TRAI HAS SUGGESTED REDUCING THE SPECTRUM USAGE CHARGE TO ONE PER CENT OF THE ADJUSTED GROSS REVENUE

What will change: If the government accepts these proposals, buying spectrum will become much costlier. For spectrum in the 1,800 MHz band, an operator will have to shell out ₹18,110 crore for 5 MHz, the minimum bandwidth TRAI has prescribed for those seeking to start mobile services. Those who bought spectrum in 2008 paid barely a tenth of this amount, getting 4.4 MHz of spectrum for ₹1,658 crore.

"The auction may receive a tepid response," says Karan Mittal, analyst at ICICI Securities. "Some of the new operators may find it difficult to operate in the sector." Already foreign players like Sistema, which lost $700 million, Telenor, which forfeited $680 million, and Etisalat, which has written off $820 million of its investment following the cancellation of 2G licences by the Supreme Court in February, have decided to cut their losses and may exit India.

The proposals will not have any immediate impact on existing telecom operators who choose not to participate in the coming auction. However, all licences are due to expire in 2014 and they will have to pay the revised spectrum price thereafter. "For the older players, the degree of impact will be directly proportional to the quantity of spectrum they hold," says Naval Seth, equity analyst at Emkay Global Financial Services.

Implications: Market experts believe that by allowing just 5 MHz to be auctioned in the first phase, TRAI may be creating an artificial shortage of spectrum. On average, there are 28 MHz of spectrum available in each of the 22 telecom circles across the country. "The recommendations make no sense. This is a free market in which companies from around the world are involved. Instead of TRAI fixing unrealistic prices, let market forces determine price," says Rajat Rajgarhia, Head of Research, Motilal Oswal Securities. Already, some operators have said high spectrum costs will jack up call rates by about 30 per cent. ◆

Mahindra

IT DELIVERS EFFICIENCY, IT PRIORITISES SAFETY, IT INSPIRES LOYALTY, IT LASTS A LIFETIME, IT'S A MAHINDRA.

Presenting Mahindra Powerol DG sets equipped with **DET.**

When you buy a Mahindra, you expect a lot from it. And Mahindra Powerol DG sets are no different. They're low-noise, CPCB approved and are built with high grade materials. So they deliver high levels of efficiency, safety, durability and reliability. This has made Mahindra Powerol the fastest growing brand in the demanding telecom sector. Now equipped with Diesel Efficiency Technology, Mahindra Powerol gensets boost efficiency higher, to bring your cost of ownership even lower.

Fuel efficient, long life engines | Low vibration & noise levels | GPRS equipped (Optional)
Over 300 sales & service touch points | Frost & Sullivan Voice of customer award 2010 – Best Bang for the Buck & Most Preferred Brand in Telecom Segment | Range 2.5 kVA TO 500 kVA
Warranty for 2 years or upto 5000 hours*

INTERFACE 280446

Mahindra powerol Engines & DG sets

powered efficiently

Call toll free 1800 419 1999

ghosh.joy@mahindra.com | www.mahindrapowerol.com | FINANCE SCHEMES AVAILABLE

* whichever is earlier. Applicable for 10 kVA DG Sets and above. Conditions apply

Head office: Mahindra & Mahindra Ltd. Mahindra Powerol, Farm Equipment Sector, Gate No 2, Akurli Road, Kandivali (East), Mumbai 400 101 Maharashtra (India) Tel: 91-22 6648 3051.

5 STEPS TO HERE

HOLDING THE STATE TO RANSOM

The last five high profile abductions by Maoists and the government's response

Oct 1-7, '09
Maoists kidnap police inspector Francis Induvar in Khunti, Jharkhand, demand release of three leaders. Behead Induvar when government refuses

Oct 20-22, '09
Abduct Atindranath Dutta, OC, Sankrail police station, West Bengal. State government frees 23 people, jailed for their suspected Maoist links, in exchange for Dutta's release

Feb 16-25, '11
Capture R. Vineel Krishna, Collector, Malkangiri district, Orissa, present 14 demands. State government agrees to eight, including release of a top Maoist leader

Mar-Apr, '12
Kidnap two Italians on March 18, Biju Janata Dal MLA Jhina Hikaka on March 24. All three freed in stages after some Maoists released

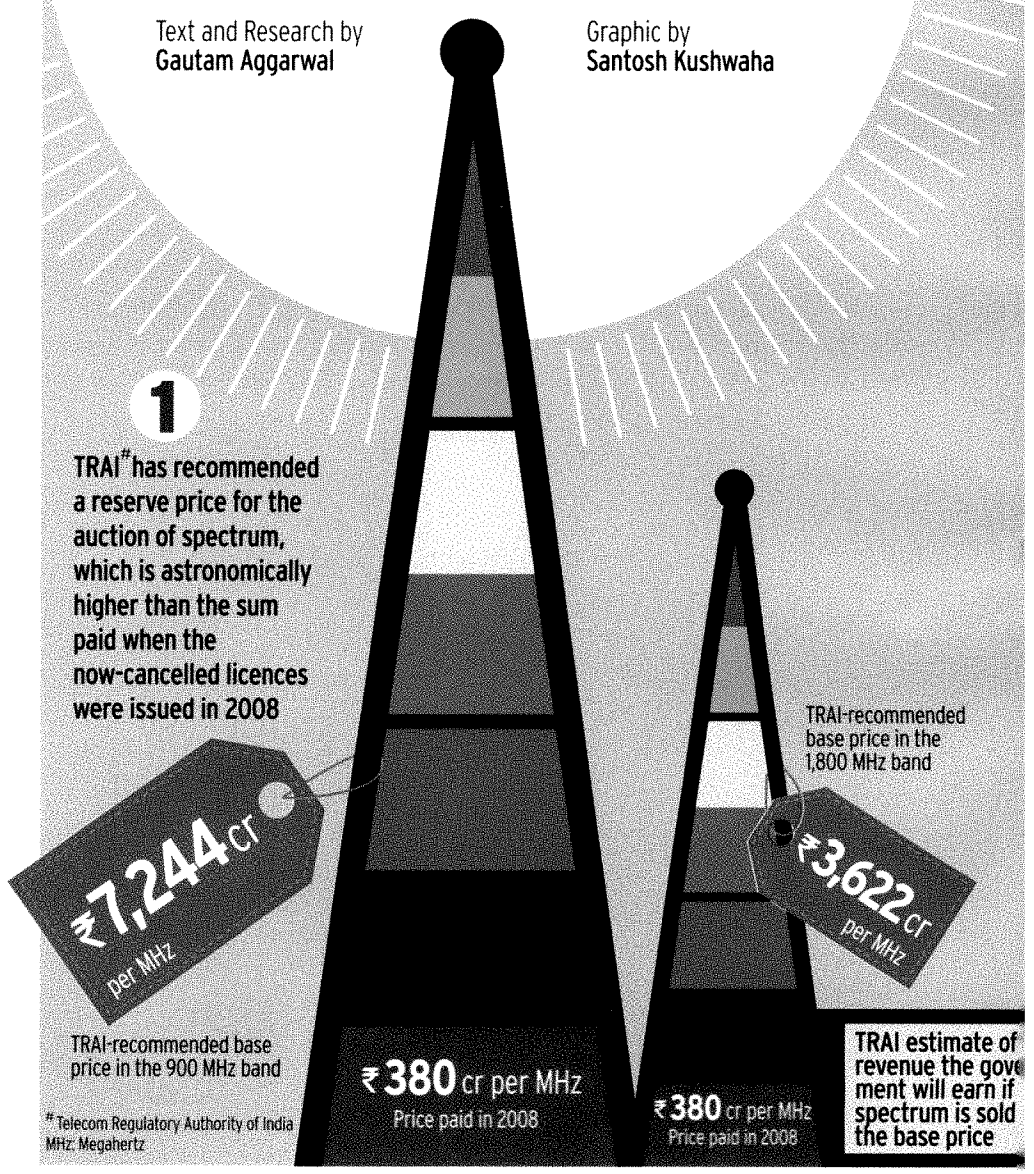
Apr 21, '12
Abduct Alex Paul Menon, District Collector, Sukma, Chhattisgarh. Demand release of eight jailed colleagues, later release him unconditionally

A SPECTRUM OF CONCERNS

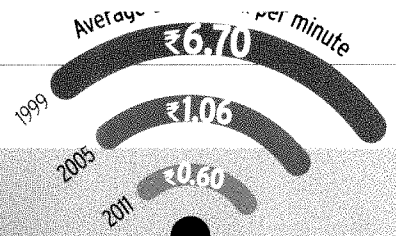
The 122 telecom licences that were cancelled in February will be auctioned before August 31. How will this impact the industry and subscribers?

Text and Research by
Gautam Aggarwal

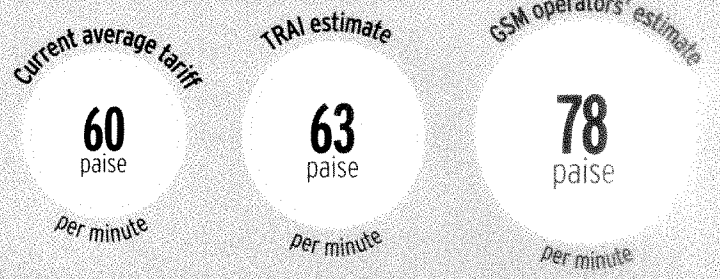
Graphic by
Santosh Kushwaha



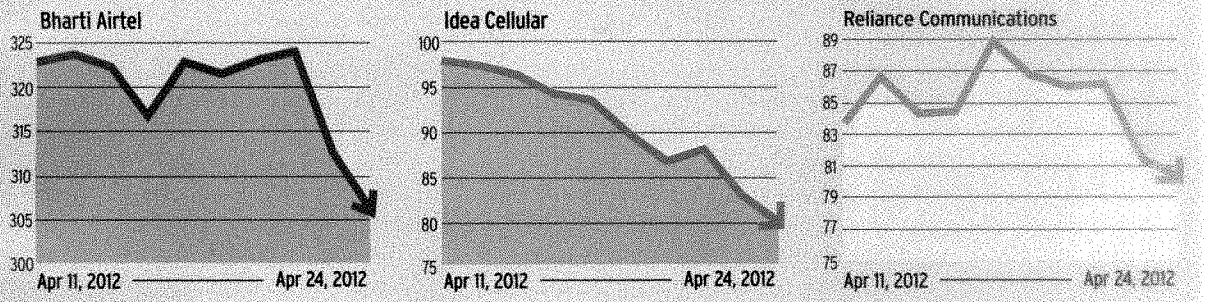
Telecom Regulatory Authority of India
MHz: Megahertz



3 But if telecom operators buy spectrum at the base price, mobile telephony tariffs will rise. Estimates of how much they will go up vary sharply



4 Telecom stocks were hammered after investors learnt how much TRAI expected telecom operators to shell out



5

All licences issued till 1999 will be up for renewal in 2014. If spectrum is auctioned at the same base price, telecom operators will take another hit, which they are again likely to pass on to customers. Take **Bharti Airtel**:

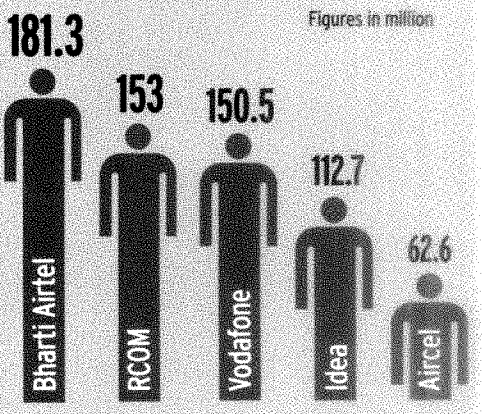
SPECTRUM HELD

160.2 MHz across 22 circles

COST OF SPECTRUM AT TRAI SUGGESTED PRICE

₹48,300 cr

6 Number of current subscribers of the top five telecom operators



₹93,721 cr Total value of available spectrum at TRAI's base price

₹7 trillion (One trillion equals 100,000 crore)

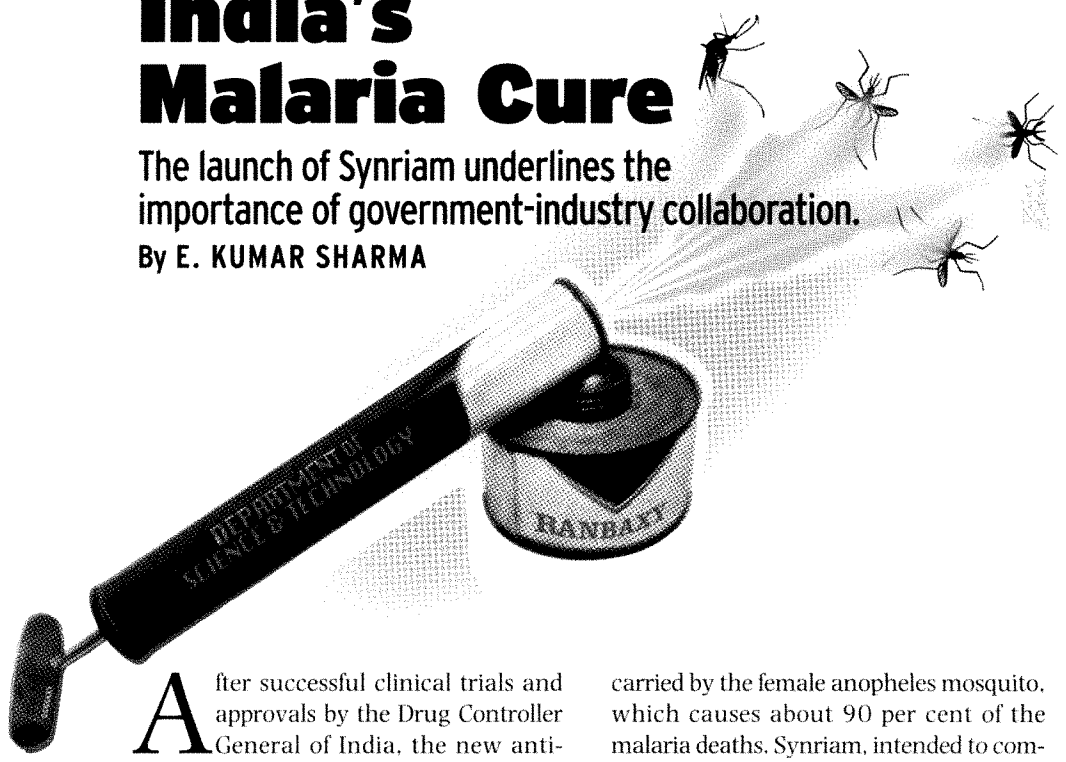
Current gross revenue of the telecom industry **₹1 trillion**

Sources: COAI, TRAI, BT Research

India's Malaria Cure

The launch of Synriam underlines the importance of government-industry collaboration.

By E. KUMAR SHARMA



After successful clinical trials and approvals by the Drug Controller General of India, the new anti-malaria drug Synriam, developed by Ranbaxy, was finally launched on April 25. It was a historic step, being the first new chemical entity (NCE) ever developed indigenously. Its launch is also a pointer to how much can be achieved if government and industry work together. The project's R&D cost was around ₹15 crore, of which ₹5 crore came from the Department of Science and Technology, in the form of a grant to conduct the Phase III clinical trials. The department also provided a soft loan for the Phase IIB clinical trials.

Work on the drug was actually started under a project called Medicine for Malaria Venture, led by global pharma major Roche, and was handed over to Ranbaxy in May 2003. But even if Ranbaxy did not initiate work on the drug, its achievement in developing it is a landmark. Around 80 per cent of new drugs are brought to market by the big global majors, even though only 35 per cent of these have been developed by them from the earliest stage. Smaller companies engaged in research often find going the full course up to the market beyond their means and end up out-licensing their NCEs to the big pharmas.

Of the four major types of malarial parasites, it is *plasmodium falciparum*, carried by the female anopheles mosquito, which causes about 90 per cent of the malaria deaths. Synriam, intended to combat *falciparum* malaria, has two major advantages over other drugs like chloroquine. Its dosage regimen is just one tablet for three days, while other drugs have to be taken twice or four times a day for three or more days. It is also prepared synthetically, using two chemical substances, arterolane maleate with piperaquine phosphate, unlike current drugs which are made from a plant-based substance called artemisinin. "Since the drug has a synthetic source and is not plant-based, supplies will not be a problem," says Neena Valecha, a scientist and Director at National Institute of Malaria Research, Delhi.

Again, *plasmodium falciparum* is becoming increasingly resistant to existing anti-malaria drugs. "Traditional drugs are proving ineffective in cases of *falciparum* malaria because of drug resistance," Valecha adds. The new one will be a potent new weapon against the disease.

Synriam has only been cleared for India, where some 1.9 million people come down with malaria every year. Estimates of people who die of it every year vary around 200,000. The drug will cost ₹130 for three tablets, though it may also be delivered free – like other anti-malaria drugs – under the national health programme. ◆

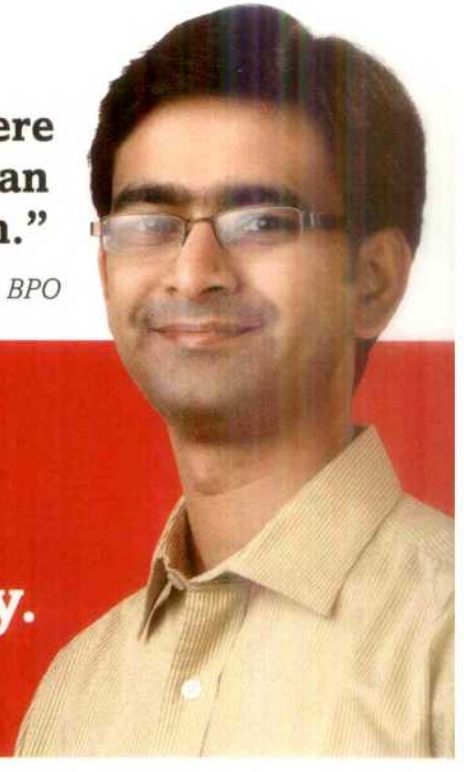
THIS IS A HISTORICAL STEP, BEING THE FIRST NEW CHEMICAL ENTITY EVER DEVELOPED ENTIRELY INDIGENOUSLY

For earlier reports, go to
www.businesstoday.in/malaria-drug

A Fortune 500 Company

"ADP is one organization where the leadership really takes an interest in my personal growth."

Parikshit Raste – Manager, BPO



With ADP You're in Excellent Company.

ADP Inc. is one of the world's giants in computerized business solutions. We have a blue-chip global client list, and an outstanding track record, for over 60 years.

In India, we offer you excellent careers in Product Development, RIM, BPO and Global Security – with the opportunity to work with the very latest technologies/ processes, across a range of platforms, to meet the specialized needs of our 570,000 clients across the globe.

But most of all, you'll enjoy our company culture. Because we treat you like a member of our family. And we encourage you to grow to your fullest potential, both professionally and personally. Little wonder we're ranked #14 in the Dataquest-CMR Best Employers survey.

And that's why 52% of our associates have joined us through our associate referral program – one of the highest rates in the industry.

Do you want to know more? Email us at ADPi.Dialog@adp.com

- Ranked #275 in the Fortune 500
- $10 billion in revenues, approximately
- Ranked #1 by Fortune magazine among the 'Most Admired Companies' (Financial Data Services category)
- Rated 'AAA' by S&P and Moody's (one of the only 4 non-financial companies in USA)
- Ranked #2 in the 'Training Top 125' list, US

Great careers in:

• Product Development • RIM • BPO • Global Security

www.ADP.com

Sharper, Brighter, Pricier

The new iPad is much improved, but should you buy one?

By KUSHAN MITRA

When Apple recently launched its iPad 3 with what it called 'retina display', many wondered how its display, already of such high quality, could get any better. Well, it has. The new display is much, much better. It is almost as seismic a shift as moving to high definition television (HDTV) from standard definition. After one has used the new iPad, it seems almost criminal to move back to iPad 2. The 2048x1536 pixel resolution screen is clearer than an HDTV and in itself a tremendous feat of engineering by Apple's display suppliers – Samsung and LG.

As for other specifications, the new iPad has a much more powerful quad-core processor, which it needs to provide the high resolution. Applications such as iPhoto, Apple's in-house photo-editing app, work a lot faster on the new iPad.

But there is one major irritant. No, it is not the 'heating' that is being talked about in most forums, though it is true that the new iPad gets warmer than the earlier versions during use. It is that the apps take up a lot more space, thanks to the improved resolution. Apps that came in at 200 to 250 MB are now three times larger. The entry-level 16 GB iPad will get filled up very fast. Apple should have increased the memory size modules on the new product, as they used to do with newer versions of the iPod. In fact, the 16 GB memory model should be abandoned and a 128 GB model brought in.

The big question: should you buy the new iPad? There can be three possible scenarios. One, if you do not own a tablet as yet and have the money to spare, this is a no-brainer. You must buy it. Two, if you own the first-generation iPad, the new iPad makes eminent sense to acquire, provided you can afford it, of course. But, when it comes to iPad 2 owners, it is a different matter. While the new iPad is a lot better, we suggest they stick to a two-year upgrade cycle and wait for the 2013 model. ◆

THE NEW iPAD IS A TREMENDOUS FEAT OF ENGINEERING BY APPLE'S DISPLAY SUPPLIERS, SAMSUNG & LG

The best tablet to date, brilliant high resolution display, better processor

Costly, with prices ranging from ₹30,500 (16 GB, WiFi) to ₹50,900 (64 GB, WiFi+3G)

BLEEDING GUMS IS A SIGN THAT YOUR GUMS ARE UNHEALTHY

TIPS FOR HEALTHY GUMS

- Use a soft bristle toothbrush
- Include citrus fruits in your diet, Vitamin C is good for gum health
- Include foods containing antioxidants like raisins and green tea that improves Gum health
- Avoid smoking and chewing tobacco
- Use a Gumcare expert toothpaste like Pepsodent G

2X *greater reduction in Bleeding Gums**

3X *greater reduction in Tartar formation**

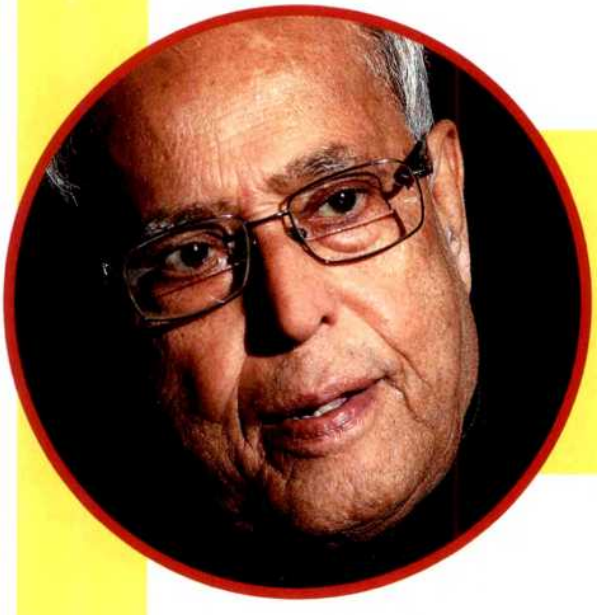
18 *hrs protection from Germs*

WITH POWER OF
GUMGUARD+GERMICHECK

*When compared with toothpaste without any proven actives

"Every major crisis has been missed by the rating agencies and in the aftermath of every crisis they have been very quick to downgrade"

Montek Singh Ahluwalia, *Deputy Chairman of the Planning Commission, to* wire agencies



"I am concerned but I don't feel panicky as I am confident that our economy will grow at around seven per cent if not more"

Pranab Mukherjee, *Finance Minister, to* wire agencies

"I think events during the year will ensure that they will need to upgrade India"

C. Rangarajan, *Chairman of PM's Economic Advisory Council, in* The Economic Times

"INDIA'S INVESTMENT AND ECONOMIC GROWTH HAVE SLOWED, AND ITS CURRENT ACCOUNT DEFICIT HAS WIDENED. WE ARE REVISING THE OUTLOOK ON THE LONG-TERM RATINGS ON INDIA TO NEGATIVE"

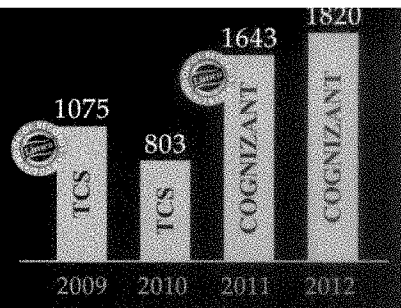
Standard & Poor's,
in a statement on April 25

"We have known the problem for some time. I had expected that steps would be taken in the Budget to overcome these problems. Unfortunately, the Budget has compounded the problems"

Yashwant Sinha, *BJP leader and ex-finance minister, in* The Economic Times

VIT's Limca record in campus placements ensures that you are chosen by the best companies.

For the 4th year in a row, VIT has achieved the top spot in placements. Two of these have even made it to the Limca Book of Records for creating a new national record in campus placements.



Highest campus placements record by a Single company

VIT UNIVERSITY
(Estd. u/s 3 of UGC Act 1956)
www.vit.ac.in

VIT... A place to learn; A chance to grow

BT-ERNST & YOUNG

DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*

RAJAT BARAN

State Bank of India (SBI) has allotted 36 million equity shares of ₹10 each at a premium of ₹2,181.69 to Government of India on preferential basis. The bank, headed by **Pratip Chaudhuri**, has received around ₹7,900 crore through this issue. The government's stake in SBI has now increased to 61.6 per cent from 59.4 per cent.

The second biggest deal is that of Tech Mahindra and Mahindra Satyam with the board of directors on both sides approving the merger of the two firms along with their wholly-owned subsidiaries. They have recommended a swap ratio of 2:17, i.e., two shares of Tech Mahindra (face value: ₹10 each) for every 17 shares (₹2 each) held in Mahindra Satyam. The Mahindra Group will now own 26.3 per cent in the merged entity; British Telecom, 12.8 per cent; public shareholders of Mahindra Satyam and Tech Mahindra, 34.4 and 16.1 per cent, respectively; and the balance 10.4 per cent will be held as treasury stocks.

TARGET
STATE BANK OF INDIA
ACQUIRER
GOVERNMENT OF INDIA
DEAL VALUE (₹ CR)
7,900

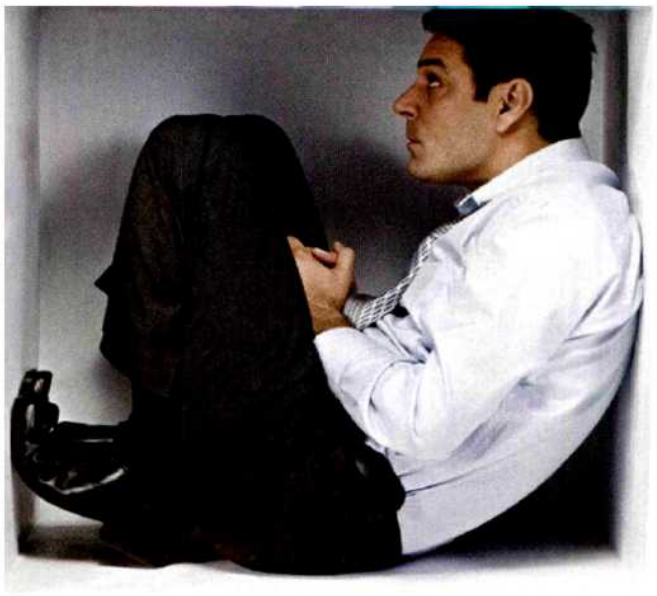
TARGET
MAHINDRA SATYAM
ACQUIRER
TECH MAHINDRA
DEAL VALUE (₹ CR)
5,317

TARGET
INDIA SECURITIES
ACQUIRER
ESSAR CAPITAL
DEAL VALUE (₹ CR)
1,359

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
Lilliput Kidswear	L Capital Management	1,143
Apollo Hospitals Ent.	Hansteen Holdings	1,095
Undisclosed online services company	Ybrant Digital	1,045
Quality Care India	Advent International	575
Vasan Healthcare	GIC Special Investments	522
Marico	GIC Special Inv./Baring Private Equity Partners	500

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not take any responsibility with regard to such a decision

*March 12 to April 12, 2012 Not a complete list



Loss of Data

Legal & Financial Risks

Low Productivity

Virus Attacks

Feeling uncomfortable at work ?

Using illegal software at your workplace may suffocate your professional life.
Protect your business by buying legal software

GENUINE SOFTWARE

Use only Genuine & Legal Software !

Be Secure. Stay compliant. Improve Productivity.

Issue in Public Interest by BSA. To know more about BSA and guidelines on managing your software contact us at **swapnan@bsa.org** or log on **www.bsa.org/india**

सत्यमेव जयते

Department of Electronics and Information Technology,
Ministry of Communications and Information Technology
Government of India

राष्ट्रीय इ-गवर्नेंस योजना
National e-Governance Plan

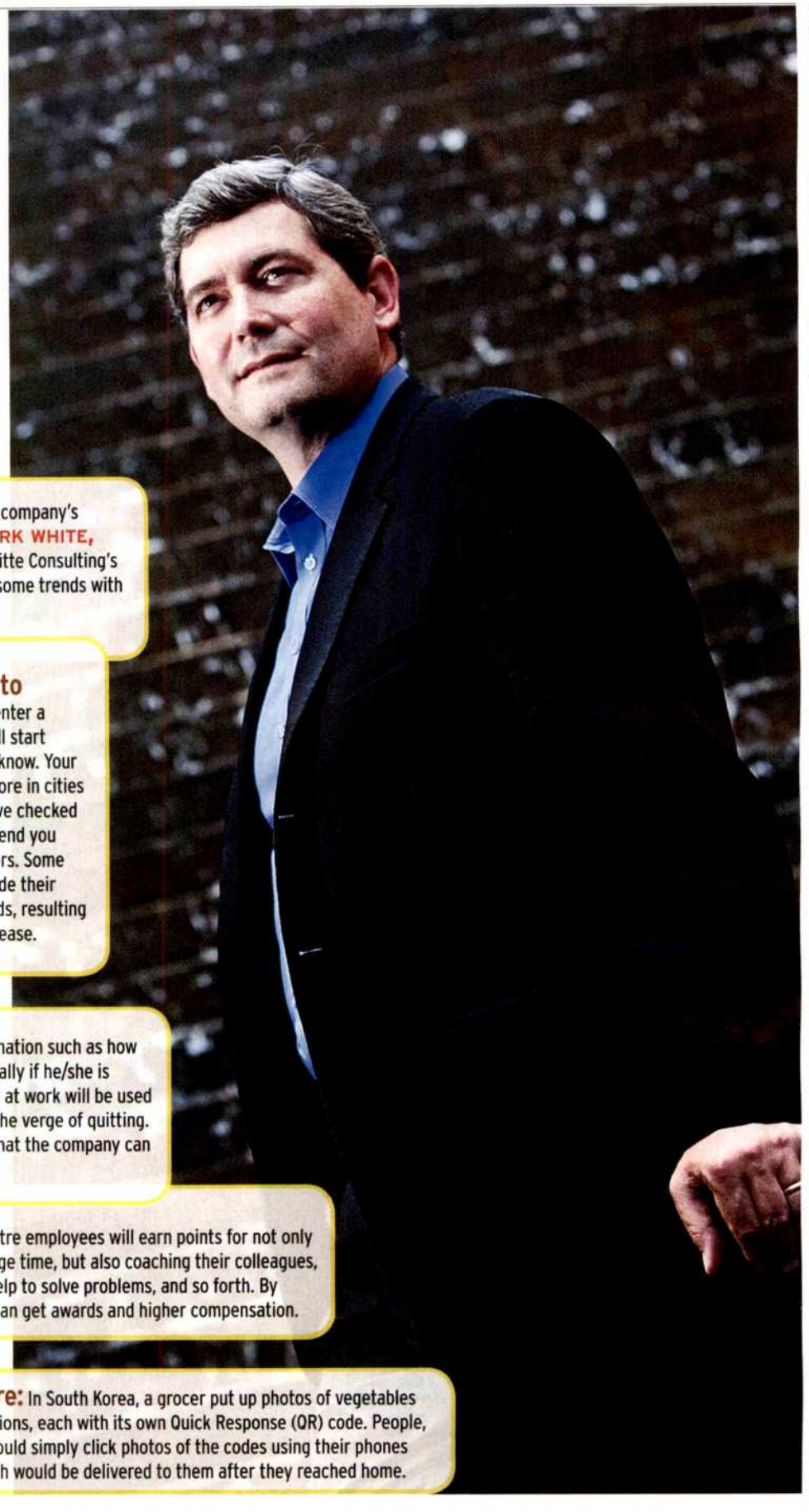
एक कदम आपकी ओर
एक कदम आपके लिए

FICCI

CELEBRATE THE
WORLD IP WEEK

BSA
BUSINESS SOFTWARE ALLIANCE

To report software piracy in companies write to **swapnan@bsa.org** or log on **www.bsa.org/india**



"WHEN YOU ENTER A RESTAURANT, YOUR PHONE WILL START SEARCHING OUT PEOPLE YOU KNOW"

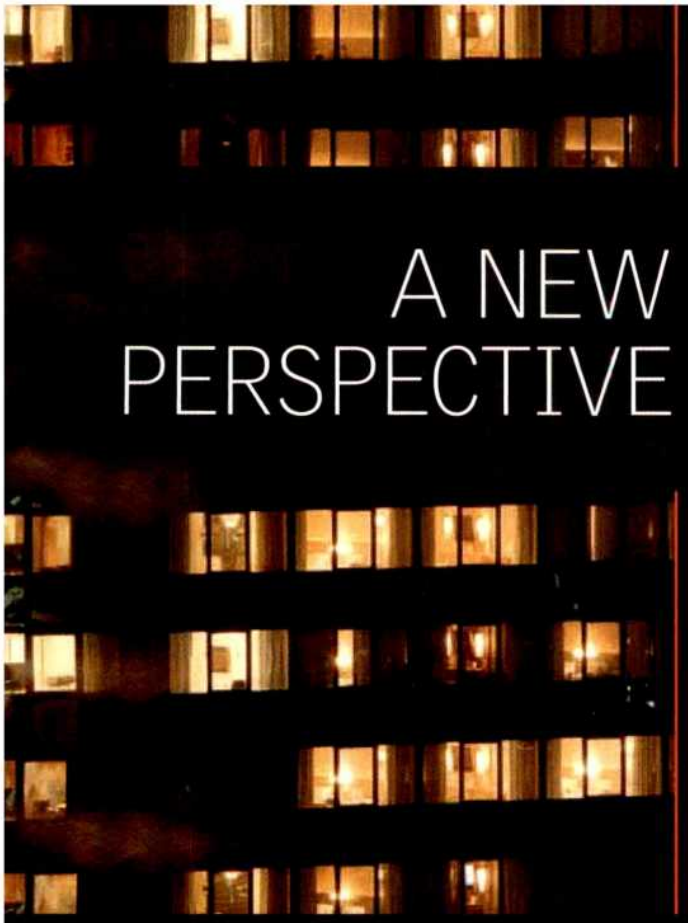
In Mumbai recently to unveil his company's report on Tech Trends 2012, **MARK WHITE,** Chief Technology Officer of Deloitte Consulting's Technology practice, discussed some trends with **SUMAN LAYAK.** Edited excerpts:

Machines will talk to machines: When you enter a restaurant, your phone will start searching out people you know. Your hotel or favourite retail store in cities you visit will know you have checked in or are around and will send you discount coupons and offers. Some restaurants have even made their wine lists available on iPads, resulting in a 30 per cent sales increase.

Data goes to work: Information such as how many nights an employee, especially if he/she is married, spends away from home at work will be used to predict which employee is on the verge of quitting. The system can then prescribe what the company can do to retain the employee.

Gamification: Call centre employees will earn points for not only finishing a call within average time, but also coaching their colleagues, seeking their colleagues' help to solve problems, and so forth. By accumulating points, they can get awards and higher compensation.

A slice of the future: In South Korea, a grocer put up photos of vegetables and groceries at train stations, each with its own Quick Response (QR) code. People, while going back home, would simply click photos of the codes using their phones to place their orders, which would be delivered to them after they reached home.



Le MERIDIEN

A NEW
PERSPECTIVE

NOW
AHMEDABAD
BANGALORE
CHENNAI / COCHIN
COIMBATORE / JAIPUR
NEW DELHI / PUNE

SOON
MAHABALESHWAR (2013)
CHENNAI EAST COAST (2014)

lemeridien.com
facebook.com/lemeridien
T +1 800 258 2555

spg. Starwood Preferred Guest

Le MERIDIEN · aloft · FOUR POINTS · WESTIN · THE LUXURY COLLECTION

W HOTELS · Sheraton · ST REGIS · element

Food for Thought

Enrica Lexie, the Italian ship carrying the marines who killed two Kerala fishermen in February, is still in Indian custody. Lawyers trying to get it released claimed before the Supreme Court that supplies aboard were running short because the Kerala policemen deployed aboard were eating far too much.

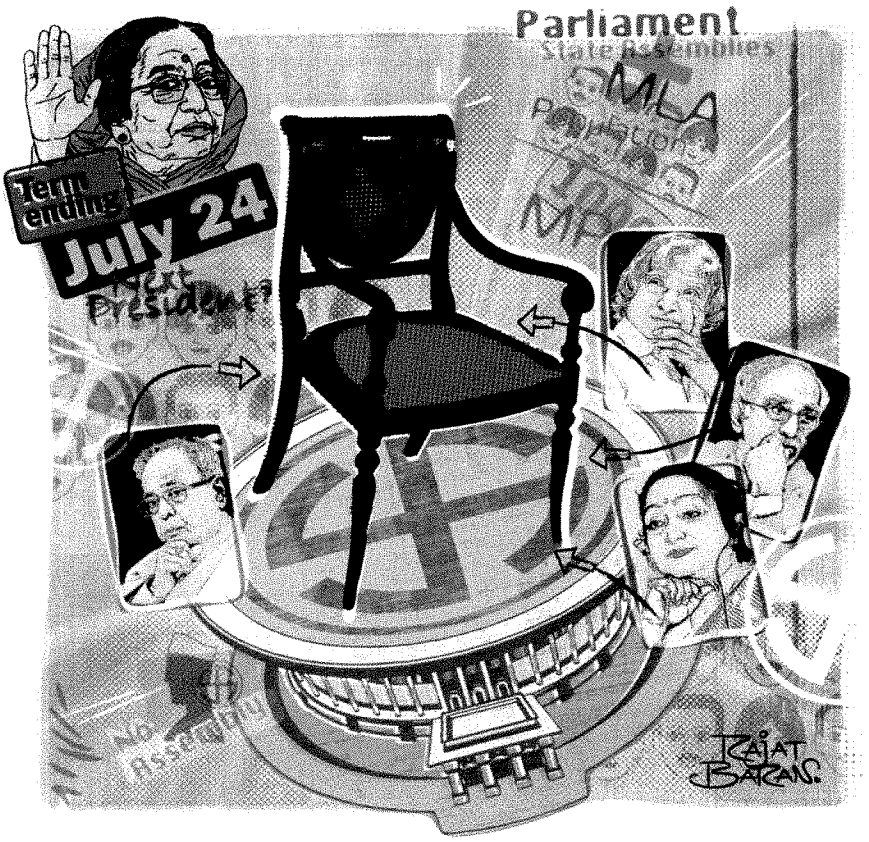
Pricey Spirit

A whisky created to mark the 60th year of Elizabeth II's ascension to the British throne is being sold in Singapore for $198,500 (around ₹1 crore) a bottle. Only 60 bottles of this 'Diamond Jubilee' whisky brand have been prepared by the Johnnie Walker unit of Diageo Plc. Will it find buyers?

Slow Moving

The Gosikhurd irrigation project in Vidarbha, Maharashtra, is yet to be completed 24 years after it began. Inaugurated by then Prime Minister Rajiv Gandhi on April 22, 1988, it was to cost ₹372 crore. Now, the estimated cost of completion is ₹13,600 crore, of which ₹6,049 crore has already been spent.

HOW THINGS WORK



Electing a New President

With President Pratibha Patil's term ending on July 24 this year, the lobbying over the choice of the next President is in full swing. Here is how the President is elected:

Procedure: The President is chosen by an electoral college comprising elected members of both Houses of Parliament and state assemblies. Their votes, however, have different weights. The weight of an MLA's vote is calculated by dividing the population of his state by 1,000 – to get the total number of votes the state has – and then again by the number of elected MLAs. Similarly, the weight of an MP's vote is computed by dividing the total number of votes assigned to members of the Legislative Assemblies of the states by the total number of elected members of both Houses of Parliament.

Proportional representation: Again, unlike other Indian elections, which are based on the 'first-past-the-post' system, the presidential election follows the 'proportional representation' system. Each voter indicates his preferences: first, second, third and so forth. A candidate cannot win unless he gets more than 50 per cent of the votes polled. Second preference votes of the candidate polling the least are transferred to the other candidates till one of them crosses the 50 per cent mark.

Current contenders: No names have been announced formally. But current contenders include former President A.P.J. Abdul Kalam, Finance Minister Pranab Mukherjee, Lok Sabha Speaker Meira Kumar, and Vice President Hamid Ansari.

COMPILED BY BASUDHA DAS

95,000 SMALL BUSINESSES NOW CALL DUBAI HOME.

202 NATIONALITIES NOW LIVE AND WORK HERE.

22 FREE ZONES BRING ENTREPRENEURS AND IDEAS TOGETHER. WELCOME TO THE WORLD'S NEWEST SME HUB.

WHEN YOU RUN THE NUMBERS, DUBAI MEANS BUSINESS.

SEE THE FILM AT VISION.AE/BUSINESS/NUMBERS

EXPO 2020 DUBAI, UAE
CANDIDATE CITY

DUBAI

EXPO2020DUBAI.AE

Friendly Takeov

How a deal with a friend helped Kishore Biyani survive the debt ordeal.

By SUMAN LAYAK

On Sunday, April 29, Future Group Chairman Kishore Biyani took a 7.35 am Jet Airways flight from Mumbai to Kolkata. He was on his way for a final meeting with Kumar Mangalam Birla, to close the sale of his Pantaloon apparel business. Birla was in the city to attend the 70th wedding anniversary of his grandparents, B.K. Birla and Sarala Birla. For Biyani, the occasion felt no less than giving away a daughter. And what better place to do it, than Kolkata, where it all started? Birla Park, the tree-lined residential estate of the Birlas on Gurusaday Road, is barely three kilometres away from the super-busy Gariahat crossing, where Biyani began his journey in 1997 with his first Pantaloon store.

The Future Group Chairman was accompanied on the flight by Sushil Agarwal, chief financial officer of the Aditya Birla Group's holding company, Aditya Birla Nuvo, and Vishal Kampani, head of institutional securities at JM Financial, the only investment banker involved in the deal. The handshake happened at 1 pm, just before lunch.

"It was not easy for Mr Biyani... it was emotional. Kolkata is where he started. It was appropriate," says Kampani. His mandate from Biyani was to help sell Pantaloon to reduce the debt of the Future Group.

er

The Kolkata handshake was the last in half-a-dozen meetings between Biyani and Birla to thrash out the deal. With the duo often negotiating personally, aided by Agarwal and Kampani, news of the deal never leaked. Apart from strategy head Dev Bhattacharya and apparel business head Pranab Barua, few Birla executives were involved. Even lawyers and accountants were kept out to ensure the deal stayed under wraps.

According to the terms of the deal, Aditya Birla Nuvo will subscribe to optionally fully convertible debentures worth ₹800 crore issued by Pantaloon Retail India Ltd. The company now operates the retail formats Pantaloon, Central, Ezone, Brand Factory and HomeTown. Its subsidiary, Future Value Retail, owns the Big Bazaar and Food Bazaar retail chains.

The Pantaloon brand and stores will be demerged and turned into a separate company. This entity will also take on the convertible debentures subscribed by Birla and convert them into equity. According to an MF Global report dated May 2, the conversion will give the Birlas a 44 per cent stake. The company will then be listed.

After the demerger and listing, the Birlas will make an open offer to public shareholders and take their own holding up to at least 50.01 per cent. The Biyanis will continue to hold around 25 per cent. With the Pantaloon brand passing on to the Birlas, the company will be renamed Future Retail India Ltd.

Apart from Pantaloon, Biyani is also selling another subsidiary, Future Capital Holdings, the financial services arm. That deal is likely to mature late in May.

Kampani, who had taken the Pantaloon deal to the Birlas, explains how the debt reduction works out for Pantaloon Retail India: "Out of the consolidated ₹8,000 crore debt of the Biyanis, ₹2,000 crore is with Future Capital Holding, which is an NBFC (non-banking finance company). When Pantaloon Retail's stake in the NBFC (53 per cent) is sold, this debt will go out of the group along with that company." That leaves around ₹6,000 crore of retail business debt.

The Birlas are infusing ₹800 crore in debentures immediately while another ₹200 crore of equity investment is coming from Bennett, Coleman and Company, publisher of *The Times of India* and other dailies. After the demerger of the Pantaloon business, the new company will take away another ₹800 crore of debt (not related to the debentures) on its balance sheet from the Pantaloon Retail books.

That would bring down the debt by ₹1,800 crore to ₹4,200 crore. The Future Capital stake sale is likely to garner around ₹500-600 crore for Pantaloon Retail – and the debt will be pared further to around ₹3,700 crore.

The consolidated EBITDA (earnings be-

THE BIRLA APPAREL BIZ

1989
Madura launches Louis Philippe in India: **119 stores**

1990
Madura launches Van Heusen: **165 stores**

1997
Madura launches Peter England: **525 stores**

1993
Madura launches Allen Solly: **129 stores**

1999
Aditya Birla Group acquires Madura Coats

2001
Launches Planet Fashion: **145 stores**

2005
Launches Esprit in India: **25 stores**

2008
Launches The Collective: **4 stores**

2012
Takes over Pantaloon format from Kishore Biyani: **64 stores**

"It was not easy for Mr Biyani... it was emotional"

Vishal Kampani, Head of Institutional Securities, JM Financial

RACHIT GOSWAMI

fore interest, taxes, depreciation, and amortisation) of Pantaloon Retail India, without the Pantaloon format, is ₹900 crore. So, the company will have an EBITDA-to-debt ratio of around 1:4 after both sales happen. A ratio of five or more indicates that a company is unlikely to be able to handle its debt burden. The Pantaloon format had an EBITDA of ₹200 crore.

Aditya Birla Nuvo and Pantaloon Retail are both announcing their results on May 15 and declined to participate in this story citing their silence period.

For the Birlas, the Pantaloon acquisition is one more step in expanding their retail business. In 1999, the group had acquired Madura Coats, which today has around 1,000 stores under different brands and formats as a subsidiary of Aditya Birla Nuvo. It also acquired South India-based retail chain Trinethra in 2007, later refashioning it into its retail brand, More. Pantaloon, a largely private label retailer of apparel, will also provide a great opportunity to sell Madura's brands such as Louis Phillippe, Van Heusen and Peter England.

BIG BAZAAR

Big Bazaar: **157**
Food Bazaar: **47**
Central: **20**
E-zone: **36**
Home Town: **15**

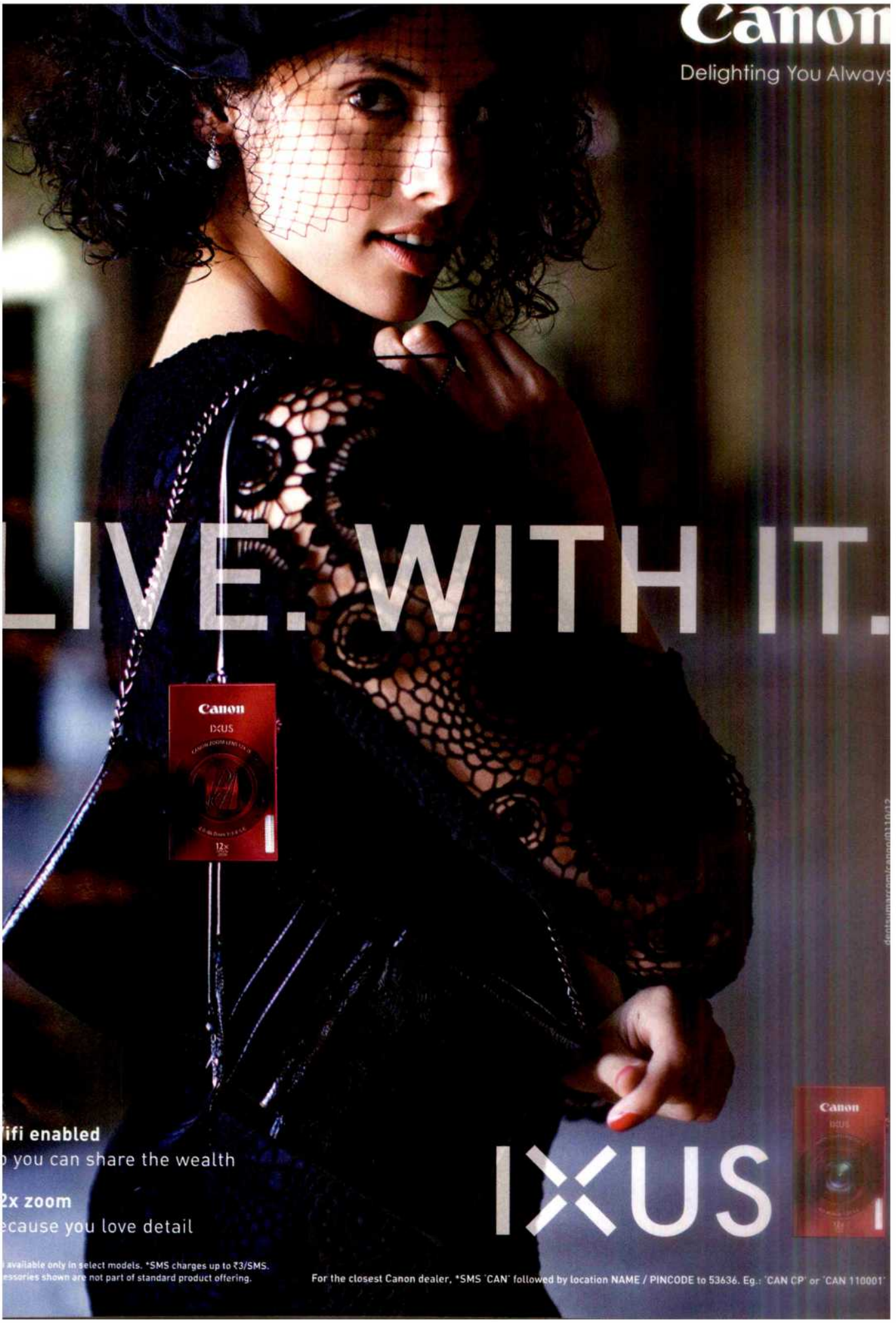
WHAT BIYANI WILL PLAY WITH NOW

Figures indicate number of stores

In a report on the deal dated May 1, 2012, Citibank analysts Jamshed Dadabhoy and Aditya Mathur noted: "... based on limited information at this juncture, this appears to be a good deal for Pantaloon Retail India's shareholders." Abhishek Ranganathan and Neha Garg, analysts at MF Global Sify Securities, wrote that the transaction would reduce earnings and annual saving in gross interest costs could be around ₹176 crore.

So, what did Biyani and Birla discuss at their meetings? "It was about understanding each other and their philosophies. Pantaloon was very close to the heart of the Biyani family. Mr Birla dealt with the issues very well, and he was very open," says Kampani. He has handled a lot of deals involving the Birlas in the past, including L&T, MRPL, the Idea IPO and the Birla AT&T Tata merger. Kampani feels the Pantaloon deal is "one of his best ever". He even plans to preserve and frame the boarding pass of the flight he took with Biyani and Agarwal on that April morning, as a memento. ◆

Send your comments to editor.bt@intoday.com


Canon
Delighting You Always
LIVE. WITH IT.
Canon
IXUS
ifi enabled
you can share the wealth
2x zoom
ecause you love detail
IXUS
available only in select models. *SMS charges up to ₹3/SMS.
essories shown are not part of standard product offering.
For the closest Canon dealer, *SMS 'CAN' followed by location NAME / PINCODE to 53636. Eg.: 'CAN CP' or 'CAN 110001'

State of Limbo

Uncertainty over Telangana is making investors wary of Andhra Pradesh.

By E. KUMAR SHARMA

A. PRABHAKAR RAO

Degrees of resentment: Students at a political protest

TOTAL AREA: 114,800 sq km

TOTAL POPULATION: About 40 million

NUMBER OF DISTRICTS: 10

MAIN SOURCES OF INCOME: Excise, sales tax, tax revenues from irrigation cess and electricity, non-tax revenues from mines and forests

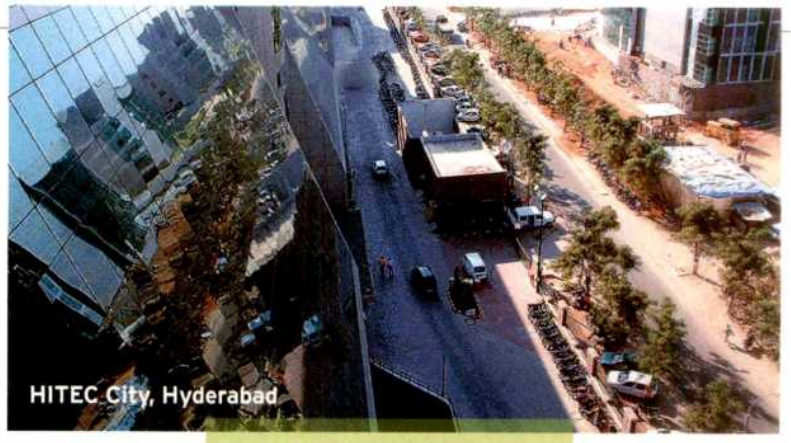
MAIN CROPS: Paddy, cotton, maize, castor seed, groundnut

MAIN INDUSTRIES: IT, pharmaceutical, services sectors, especially in and around Hyderabad

KEY RESOURCES: Hyderabad city. Two major rivers of Andhra Pradesh – Krishna and Godavari – flow though the Telangana plateau. It also has coal and limestone deposits

Andhra Pradesh, once a leader in IT, services and modern retail, may have been the state that got the Congress Party to power at the Centre in 2004 and 2009. But two and a half years is a long time, and things have changed. The protracted delay in settling the Telangana statehood issue has riven the state, and it is telling on investment and the state's political image.

The Andhra Pradesh Congress has been shaken by the creation of a splinter party by Y.S.


HITEC City, Hyderabad

Jagan Mohan Reddy, the son of the late Y.S. Rajashekhara Reddy, former chief minister and a Congress leader, and by losses in recent by-elections to the pro-statehood Telangana Rashtra Samithi (TRS). In 2009, the Congress promised a Telangana state, and its MPs in the region are now under pressure, says Dr. Gaddam Vivekanand, doctor-turned-entrepreneur and one of eight Congress MPs recently suspended from the Lok Sabha for four days for disrupting proceedings over the Telangana issue.

"Andhra Pradesh no longer figures on the list of top states for investors, because of the perception of uncertainty," says Srini Raju, Chairman of Peepul Capital, a private equity fund. "It has become politically volatile. Every decision is questioned by some politician. Bureaucrats hesitate to take any decision, and projects get stuck or have to explore options in other states."

"For nearly two and a half years, there has been a virtual freeze in new investments to the region," says Devendra Surana, Vice Chairman of the Federation of Andhra Pradesh Chambers of Commerce and Industry. Pradeep Dhobale, Executive Director, ITC Ltd, says: "While there seems to be a clear desire to seek and attract new investment, the government must take concrete steps to accelerate the decision-making process."

CAUSES FOR CONCERN

- IT exports from the state have fallen. They rose **24.5** per cent from **₹26,122** crore in 2007/08 to **₹32,500** crore in 2008/09. But in 2010/11, they were **₹35,023** crore, up just 4.6 per cent to **₹33,482** crore from 2009/10
- Big investors have shown interest, but projects have yet to move ahead
- Retailers say the growth of modern retail has slowed. It is around eight per cent in Hyderabad, compared with **20** per cent in cities such as Bangalore and Pune
- Manufacturing accounts for 11 per cent of the state GDP, well below the national average of **16** per cent
- In the past **18** months, the cost of operations has risen because of increases in VAT, property tax, water charges and minimum wages

Economic calculations

A few years ago, even uttering the name Telangana was taboo in the state assembly. K.T. Rama Rao, MLA and son of TRS supremo K. Chandrasekhara Rao, says: "Today, not a day passes without demand for it being voiced in the state assembly and even in Parliament."

Economist and former Planning Commission member C.H. Hanumantha Rao, who has studied the region for years, says: "There is a feeling that Telangana has not got its due in investment allocations, and that 'surpluses' from there – the difference between what ought to have been spent and what was spent – have been diverted to other regions." Rao says there is no way to ascertain exactly how public expenditures are distributed across regions in the state, as the relevant information ceased to be available after the Telangana Regional Committee was abolished in 1973. But, he adds, businesses "can afford to be indifferent" to the Telangana issue, especially if they have a national market. He says: "After all, uncertainties cannot be forever, therefore businesses should take an enlightened view...for their market will not be affected."

But many investors say they are already grappling with enough uncertainty – global economic worries, inflation and the fact that domestic interest rates have increased 13 times in 18 months – and have no stomach for the additional uncertainty of Telangana.

Gung-ho Government

State officials deny that investors are worried, citing the 243 MoUs they signed in January this year, for investments totalling ₹6.49 trillion (a trillion equals 100,000 crore). These were signed with the likes of ITC, GMR and the Yash Birla Group. However, they are still far from actual investments.

ITC's Dhobale says his company's project is awaiting approval. Though the plan is to invest ₹6,000 crore to expand its pulp and paper manufacturing, he says, the final shape of the project, for which there is no timeframe yet, will depend on the nature of the approvals.

"Not a day passes when the demand for Telangana is not voiced"

K.T. Rama Rao, MLA

"Businesses can afford to be indifferent over the Telangana issue"

C.H. Hanumantha Rao, Economist

"We want the current uncertainty to get over soon," says P.V.R. Murthy, Group Finance Director, Yash Birla Group. "What needs to be done is to remove the uncertainty in the minds of the *aam janta*, and the leaders should say clearly what exactly they want." The Yash Birla Group's ₹13,500-crore investment plans for the state include a sports city in Hyderabad. Murthy says they are awaiting the government's reply on land allocation and approvals.

IT Underwhelms

Andhra Pradesh's success at attracting high-profile global tech companies is well known. Facebook, which set up shop in Hyderabad in 2010, was a feather in its cap. Other big names in the state include Amazon, TCS and Infosys.

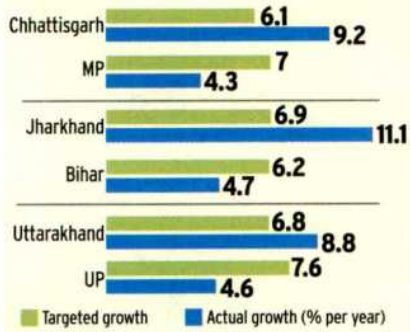
But, as Peepul Capital's Raju points out, these are not manufacturing industries and do not need government clearances for land, environmental and so on. Many in the IT industry also say the number of jobs generated is modest. According to some estimates, Facebook has created no more than 200 jobs.

B.V.R. Mohan Reddy, Chairman of Infotech Enterprises, says the Telangana agitation has not bothered IT companies in the state, but "brand Hyderabad" has suffered, especially in the eyes of foreign investors.

Despite the entry of new companies and expansion by existing ones, IT exports from the state have become sluggish. According to data from the Software Technology Parks of India, Hyderabad, exports slid from double-digit growth a few years ago to just over four per cent last year.

SMALL STATE, BIG GROWTH

Smaller states have a high rate of growth and an environment that is more conducive to industry



Source: Planning Commission

WHY TELANGANA

- Viable: Growing services sector, natural resources
- Neglect: Farmer suicides, arid land in contrast to coastal region

WHY NOT

- Intra-state issues could become inter-state ones, such as river water disputes
- Status of Hyderabad is uncertain
- Could trigger more statehood demands: Bundelkhand, Gorkhaland, Kutch, Purvanchal, Vidarbha

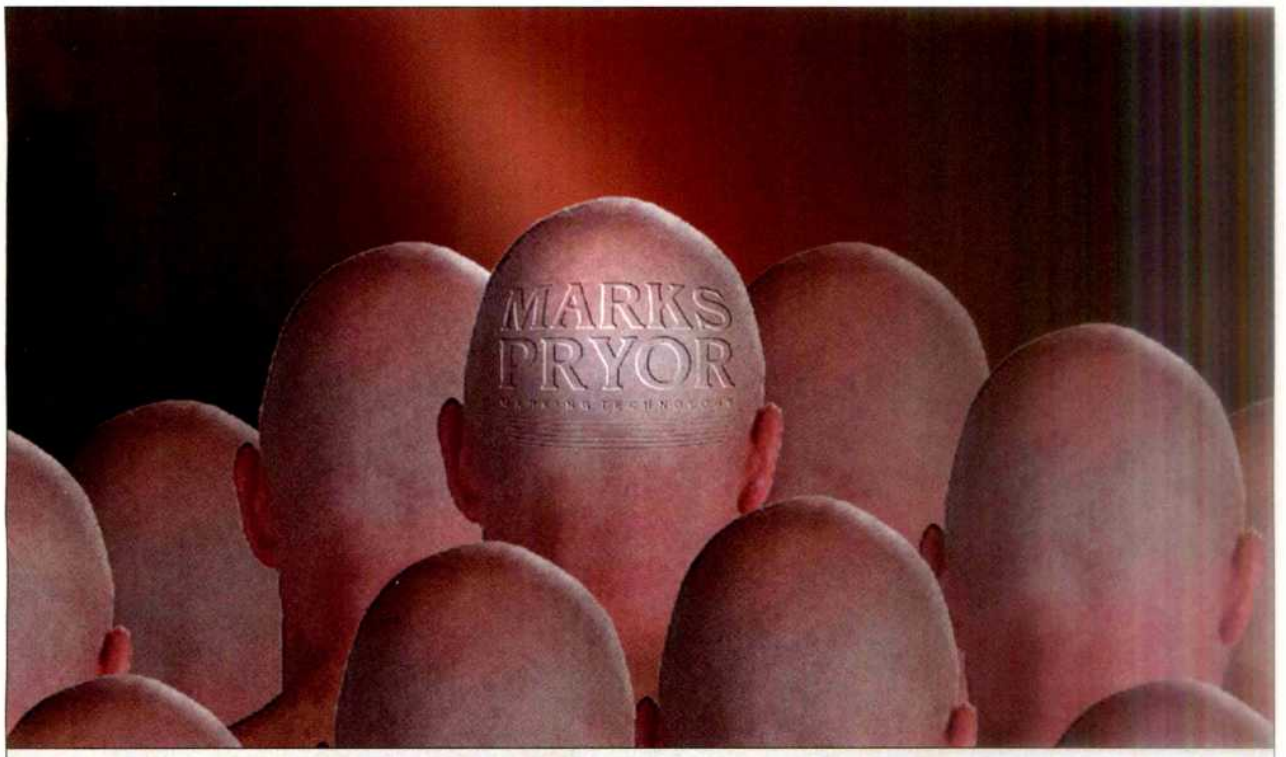
Retail Industry Apprehensive

B.S. Nagesh, Chairman of the Retailers Association of India and long-time observer of Andhra Pradesh, says: "Many leading Indian retail chains chose Hyderabad as the location for their first or second major outlet. But today other cities have overtaken Hyderabad." He cites the example of Bangalore, which is two and a half times Hyderabad's size in terms of retail presence. Nagesh, who is also on the board of Shoppers Stop, clarifies that he is speaking as head of the business lobby.

"Consumer sentiment drives retail, and political uncertainty seems to be taking its toll on organised retail in Andhra Pradesh," says Kumar Rajagopalan, CEO, Retailers Association of India. "Hyderabad, where modern retail grew at 20 to 22 per cent until 2009/10, is now growing at around eight per cent."

Modern retail is growing at around 20 per cent a year in cities such as Bangalore, Pune, Mumbai, and Delhi and the National Capital Region (NCR). Rajagopalan says Andhra Pradesh lacks clarity on retail. For instance, getting permission to do business 365 days a year is a time-consuming exercise, in contrast to almost automatic clearance in Delhi-NCR. Besides, inspections are haphazard, and the cost of operations has gone up because of power shortages and increased levies.

As things are, Andhra Pradesh is not the sort of environment businesses seek in an uncertain world. ◆



MARKS with PRYOR advantage makes a lasting impression...

Providing end-to-end Traceability and Identification Solutions

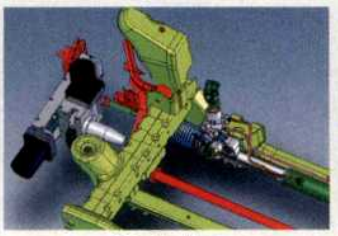
Impressions are hard to make, especially if they are on a 2mm cardboard or for that matter a 40 Rc steel surface...

Marks Pryor has made a DEEP & BOLD impression, as a leading total customised industrial marking solutions provider in the country, with over 2000 systems running and producing impressions round the clock as of date; handling a variety of applications like indentation marking for data such as Part Numbers, Serial Numbers, Batch Numbers, Company Logos on Products & Components in Automotive, General Engineering, Defense, Aerospace segments...

Apart from facilitating easy identification for stocking, replacement and spares, neatly marked products suggest 'Quality' to the buyers, improving Brand Loyalty & Reliability.

2D Readers

Marking Tools


Vin Marking

Engine Block Marking

Pick and Place Systems

MARKS PRYOR
MARKING TECHNOLOGY

CORPORATE OFFICE & WORKS
Gat No. 135, Pirangut, Mulshi, Pune - 412 108
Phone : +91-20-66743300/01, Fax : +91-20-66743327
E-mail : info@markspryor.com
Web Site : www.markspryor.com

AN ISO 9001:2008 COMPANY
QAC / 991 / 1529

Branches • New Delhi • Mumbai • Bangalore • Ahmedabad • Chennai • Coimbatore • Kolkata • Jamshedpur • Indore

CALCUTTA CENTRAL UNIVERSITY

kam/mp/11

SANJEET MALIK

BIT of Legal Bother

It appears that the Government of India may soon be sued by foreign investors to the tune of billions of dollars under its various bilateral investment treaties. A bilateral investment treaty (BIT) is an agreement between two sovereign states that grants certain protections to investments made by one state – including private investments – in the other state, including fair and equitable treatment, and protection from expropriation. Customarily, BITs provide for an alternative dispute resolution mechanism, through which an aggrieved investor may seek damages from the host state in an arbitral tribunal sitting in a neutral venue such as the International Centre for the Settlement of Investment Disputes (ICSID) rather than the courts of the host nation.

Until very recently, there was not a single published investment arbitration decision to which the Indian government was party – though there were nine unpublished claims. This changed in November 2011, when an arbitral tribunal held India liable, because of long-standing judicial delays experienced by a foreign investor. But the damages in this case were only about $5 million, a relatively small sum when compared to the size of many other awards (for example, Exxon Mobil was recently awarded $907 million in a case against Venezuela). India, to date, appears to have fared better than most countries.

This apparent quiet, however, has come to an abrupt end. Sistema, a Russian telecom company, delivered a notice of investment arbitration in February this year over the cancellation of its 2G licences held by its local group. Last month, Telenor ASA, the Norwegian telecom company claiming Dutch nationality through a subsidiary, threatened arbitration over the cancellation of its 2G licences held by its joint-venture company. The Children's Investment Fund, a UK

hedge fund, threatened to initiate investment arbitration in April against India over its pricing policies for Coal India. And, just weeks ago, a Dutch subsidiary of Vodafone served a notice of dispute on the Indian government over proposed legislation that would result in the company owing nearly $3 billion in back taxes.

These possible international arbitrations against the government arise through the vast network of BITs to which India is a party. **India has at least 72 BITs in force with countries such as the Netherlands, the United Kingdom, France, Germany and the Russian Federation.** Possible bases for claims include expropriation of an investment without adequate compensation, unfair and inequitable treatment and denial of justice by Indian courts. These protections are not without limits, however, permitting sovereign states some degree of regulatory flexibility at the expense of investors, foreign and domestic alike. The question of where to draw this line is frequently at the heart of a dispute involving claims arising under a BIT.

Notwithstanding the protections afforded to foreign investors, BITs also place limitations upon a foreign investor seeking to bring a claim. Many BITs contain a 'cooling off period' clause, generally of six months, during which the parties must attempt to settle their dispute amicably through negotiations. Only after that period has lapsed, the dispute can be submitted for arbitration. Further, BITs do not protect against one-off commercial transactions. Instead, they extend protection to investments such as mineral concessions and intellectual property. Many investment arbitration tribunals have declined jurisdiction on the ground that the dispute in question did not arise out of a qualified 'investment' as defined by a BIT, even though there might appear to be an investment in the common sense or economic understanding of the term.

Foreign investors are also limited by India not being party to the Convention on the Settlement of Investment Disputes between states and nationals of other states (ICSID Convention). State parties to the ICSID Convention are bound to recognise awards as if they were final judgments of their own highest courts. This can help streamline the process of recognition and enforcement of an arbitral award for a successful foreign investor. Otherwise, a losing host state may refuse to recognise an arbitral award on the ground, for example, that it violates the public policy of the host state.

Finally, some of the possible legal claims against India involve evolving areas of the law, such as a state's freedom to amend its tax laws retroactively, if doing so is in the national interest, or to revoke licences that may have been improperly granted. From the perspective of a foreign investor, the success of these arguments cannot be taken for granted. In other words, even if India soon faces more investment arbitration claims, there is no certainty that all these claims will prevail.

News of the growing number of claims against the government coincides with unconfirmed reports that India is planning to exclude arbitration clauses from BITs currently under negotiation with the European Union, Australia, New Zealand and other countries. Its decision to do so could limit some future liability. However, **BITs without an alternative dispute resolution mechanism may also deter foreign investors sensitive to the protections afforded to them by BITs** because such protections would need to be enforced in Indian courts.

This is an important time for India in the light of these new and threatened claims under BITs. Foreign investors often use the statements and actions of government officials, while the cases are pending to support their claims against the government. Accordingly, Indian government officials would be wise to deal cautiously with these foreign investors during the resolution of these cases. ◆

The author is a Singapore-based lawyer with Milbank, Tweed, Hadley & McCloy LLP

India is planning to exclude arbitration clauses from BITs currently under negotiation with the EU, Australia, New Zealand and other countries. Its decision to do so could limit some future liability.

A STUDY IN CONTRASTS

While unorganised jewellers are fighting new government regulations, the organised sector is in expansion mode.

By RAJIV BHUVA

Even as bullion traders and jewellers from the unorganised sector went on a strike to protest duty hikes proposed in the Union Budget, the 147-year-old branded jewellery house, Tribhovandas Bhimji Zaveri (TBZ), was busy preparing for an initial public offering (IPO). The contrasting responses indicated just how the two sub-sectors expect to be impacted by Finance Minister Pranab Mukherjee's Budget proposals. Mukherjee has proposed to impose a one per cent excise duty on unbranded jewellery [the branded kind has been attracting the one per cent duty since 2010/11] and has doubled the import duty on gold to four per cent. He also recommended tax collection at source on cash purchases of bullion or jewellery in excess of ₹2 lakh. Essentially, the proposals aim to pare the massive gold import bill – currently in excess of $58 billion – and curb the use of black money in jewellery purchases.

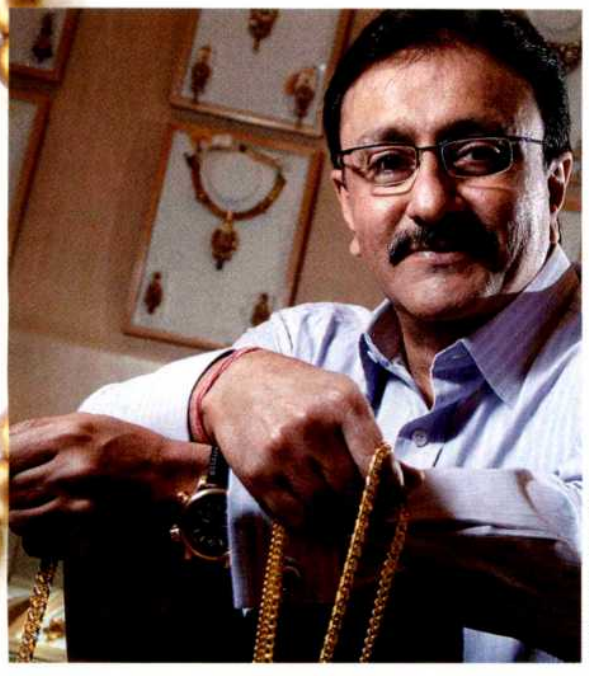
While the entire industry will be affected by the import duty on gold, the excise duty and tax collection will largely affect the unorganised/unbranded sector, which, according to CRISIL Research, accounts for 90 per cent of the retail jewellery market in India. Ergo, the protest. The jewellers' strike continued for 21 days, ending only after Mukherjee promised to consider their demand for a rollback of the excise duty.

For the branded sector, it was business as usual. TBZ's IPO was oversubscribed by 1.15 times. "The new regulations will bring in more transparency and accountability," says TBZ Chairman Shrikant Zaveri, who spoke to *BT* after the IPO.

If anything, the organised sector is in expansion mode. TBZ plans to increase its store count from 14 to 57 over the next three years. Madurai-headquartered Thangamayil Jewellery plans to open 12 stores in tier-2 cities in South India, according to its Joint MD, Ba Ramesh. Titan Industries has already added 102,000 square feet of retail space for its jewellery brand Tanishq. According to a Citi Research note, it will add another 250,000 square feet through 50 new stores this fiscal. Bangalore-headquartered Rajesh Exports, which operates 76 retail stores in Karnataka under the Shubh brand, plans to open 25 new stores in the next four months.

The branded lot is expecting to gain from the government's new regulations. "These changes will not hurt organised players," says Siddharth Mehta, Chief Strategist at Rajesh Exports.

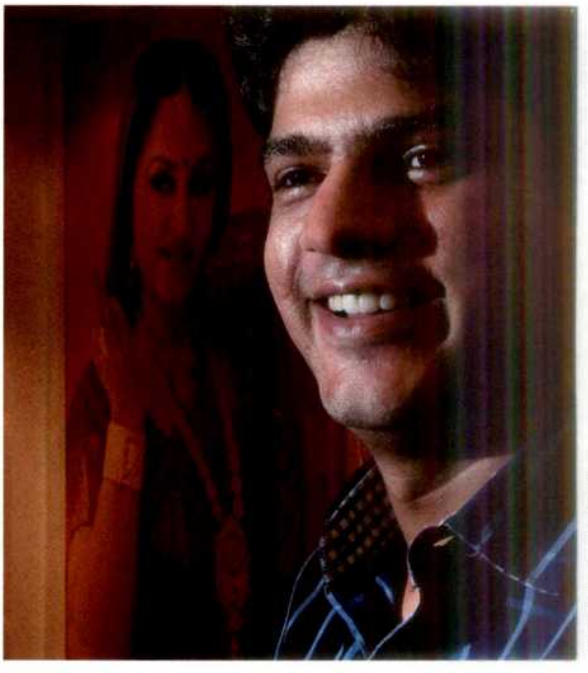
The real issue for the unorganised sector is the excise duty – not so much because of the outgo as



RACHIT GOSWAMI

"The new regulations will bring in more transparency and accountability"

Shrikant Zaveri, Chairman, Tribhovandas Bhimji Zaveri



DEEPAK G. PAWAR

"The changes proposed in the Budget will not hurt organised players"

Siddharth Mehta, Chief Strategist, Rajesh Exports

because of compliance issues. While the levy will inflate gold prices by 30 basis points, the annual excise collection will at best amount to ₹200 crore, a relatively small amount. "Compliance will be a major challenge," says Bachhraj Bamalwa, Chairman, All India Gems & Jewellery Trade Federation (AIGJTF), alluding to the huge amount of paperwork that will be involved.

"It is the central excise enforcement that is our concern," adds S. Venkatesh Babu, President of the Bangalore Jewellers' Association. The excise department is the final authority to decide on enforcement and the industry fears raids by its inspectors. "We will go back to the Licence Raj," says Rajiv Jain, Chairman of Gem and Jewellery Export Promotion Council.

The other issue is around the tax collection at source for purchases over ₹2 lakh. Even here, consumers could become compliant over time. "PAN disclosure has been mandatory for purchases above ₹5 lakh for almost a year. The industry has reported a minimal impact on that front so far," says Tapasije Mishra, MD & Group CEO of IDFC Investment Bank, TBZ's merchant banker. But not all buyers have it – there were less than 14 crore PAN holders in the country as of November 2011. And even they may not want to come under the taxman's radar, reducing the unorganised sector's revenue.

Some are worried about the impact of the proposed four per cent increase in import duty. "One of the primary drivers of the current account deficit has been the growth of almost 50 per cent in imports of gold and other precious metals in the first three quarters of this year," said Mukherjee, spelling out the rationale for the hike in his Budget speech.

But Mishra feels the impact may not be severe. "The increase in duties may dampen demand for a few months, until consumers get used to higher prices. Since a large portion of jewellery buying in India is wedding and festival driven, a steep drop may not be seen."

Demand, in fact, had fallen well before the Budget. According to the World Gold Council (WGC), jewellery consumption in India fell by 44 per cent to 103 tonnes, while demand for gold bars and coins shrank 38 per cent to 70 tonnes during the three-month period that ended in December 2011. Demand continued to remain sluggish at the start of this calendar year but is now showing signs of recovery, says a WGC report. ◆

SUCKER PUNCH

Samsung knocks the wind out of Nokia. And, the pain won't go away soon.

By SUNNY SEN

For nine quarters, it has been a downward slide for Nokia in India. The Finnish phonemaker's vice-like grip on the India market has been slowly yet surely prised open by a raft of old and new rivals. Nokia ceded nearly half of its dominant share of the mobile phones market from a peak of 70 per cent between 2007 and now.

Even in context of this spectacular slide, Tuesday, April 24, was particularly gut-wrenching for Nokia. Data from market tracker GfK-Nielsen that came in that morning showed its nearest rival in India, Samsung, had achieved the seemingly impossible. The Korean brand, for the first time ever, had overtaken Nokia in India by retail revenues in March capping months-long game of steady catch up (see *Slugging It Out*).

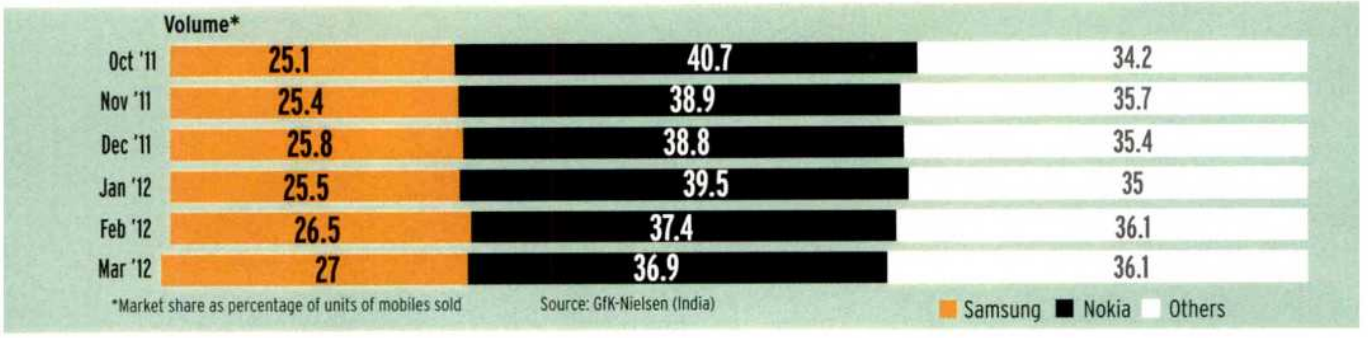
What stung Nokia was this: by the number of mobile phones sold, Samsung was trailing Nokia by a wide margin. In other words, Samsung was registering higher revenues in India than Nokia by selling fewer phones. Samsung held

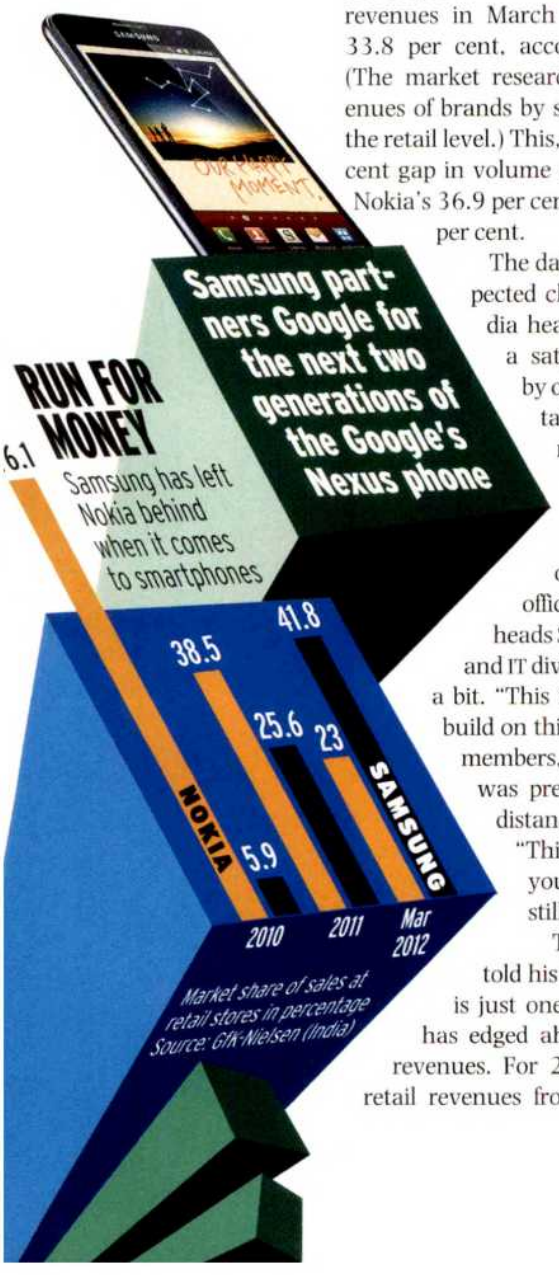
Samsung Mobile & IT made ₹11,000 crore in India in 2011

Hulk effect: Ranjit Yadav, Country Head, Mobile & IT, Samsung India

Slugging It Out

Nokia still leads the market in volumes but Samsung has overtaken it in retail turnover





a 34.2 per cent share of mobile phone retail revenues in March 2011 versus Nokia's 33.8 per cent, according to GfK-Nielsen. (The market research firm estimates revenues of brands by surveying their sales at the retail level.) This, despite nearly a 10 per cent gap in volume sales between the two: Nokia's 36.9 per cent versus Samsung's 27 per cent.

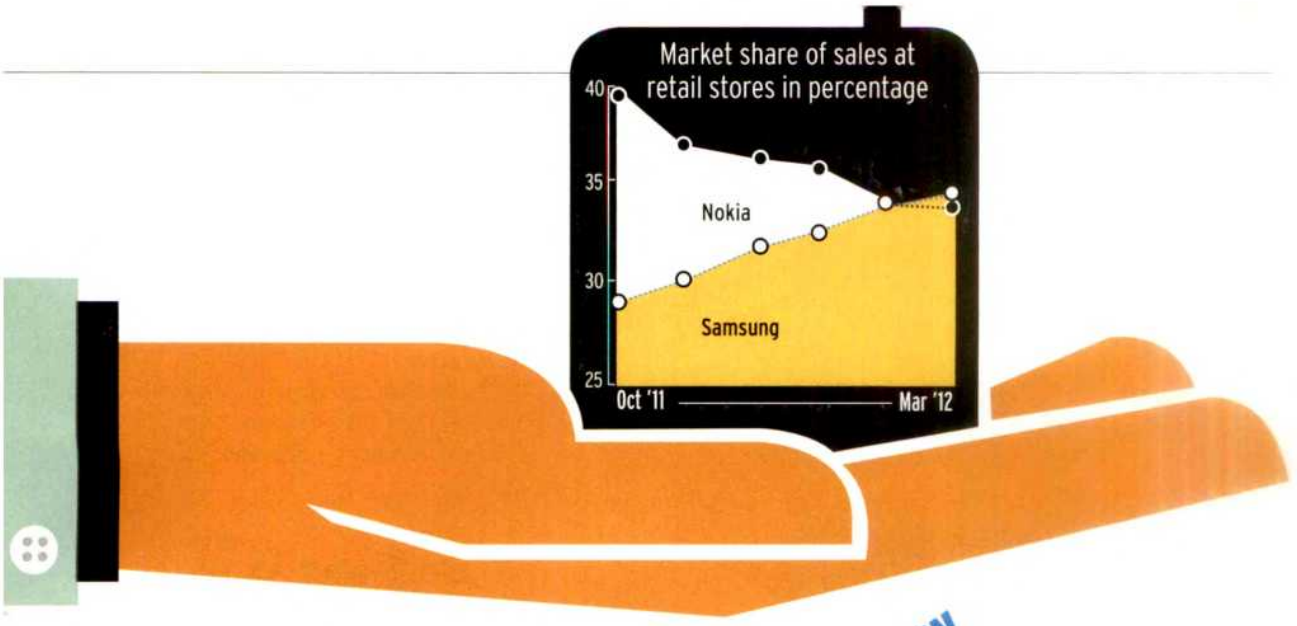
The data was greeted with expected cheers at Samsung's India headquarters in Gurgaon, a satellite town overridden by offices southwest of capital New Delhi. There was much back-thumping and plans made for an evening party. When key members of his team reached the office of Ranjit Yadav, who heads Samsung India's mobile and IT division, the mood sobered a bit. "This is good but we need to build on this," Yadav told his team members, says an executive who was present. Yadav, 49, is as distanced when *BT* meets him. "This business is as good as you are everyday. We are still challenging," he says.

To be sure, as Yadav told his team, it is early days. It is just one month that Samsung has edged ahead of Nokia in retail revenues. For 2011, Nokia's share of retail revenues from mobile phone sales is still a good 13 percentage points ahead of Samsung's (39.8 per cent and 26.8 per cent). And, in volume sales, the lead is even more 16.1 percentage points. Further, this estimate is from just one among four market trackers. GfK-Nielsen surveys retail sales in 50 cities reflecting market realities better, while others such as IDC, Gartner and Cyber-Media Research base their estimates on shipment data from the phone makers.

Even discounting for such factors, it is clear that Nokia is in a bad shape and it seems a matter of time before Samsung pulls firmly ahead. "If Nokia does not do anything drastic, the rate at which Samsung is growing, it will overtake Nokia by the end of 2012 even in volume sales," says a Gurgaon-based analyst who does not want his or his employer's name taken. This has already happened globally. Samsung, for the first time, outsold Nokia in the January to March quarter (93.5 million phones to 82.7 million).

The Samsung Roll

Samsung India's Goliath-beating journey in the ₹55,000-crore mobile phones business is as much luck as nose-to-the-grind execution. The luck was in the call it made two years ago on smartphones. (Such phones typically come loaded with a camera, access to the Internet, media player, games, social media applications, and other features. They are different from so-called feature phones that are more basic in functionality and inexpensive in comparison.) Smartphones account for over 11 per cent of all mobile phones sold in India, up from just six per cent a year



ago and virtually zero before that. Look at its revenues and it is even more promising: ₹15,000 crore in 2011.

It is in this chunky and profitable category that Samsung has carved out a comfortable space for itself. GfK-Nielsen puts Samsung's share at over 43 per cent of the smartphone market in March's volume sales compared to the 29 per cent of Nokia. This is in line with the trend of the last two years. While Samsung grew its share in smartphones to 26.7 per cent in 2011 from 4.9 per cent the year before, Nokia saw its share shrink from 83.5 per cent 46.1 per cent.

Such market-disrupting growth by Samsung India can be traced to a global bet its parent made on Android, the open source mobile operating system championed by Internet search giant Google, as late as 2009. Samsung developed phones for different operating platforms such as Symbian, Android and Windows Phone, as also the proprietary 'bada' platform. But, it turned out to be the biggest gainer on the Android platform: it has an over three-fifths share of Android phones globally and a share of 42 per cent of all smartphones.

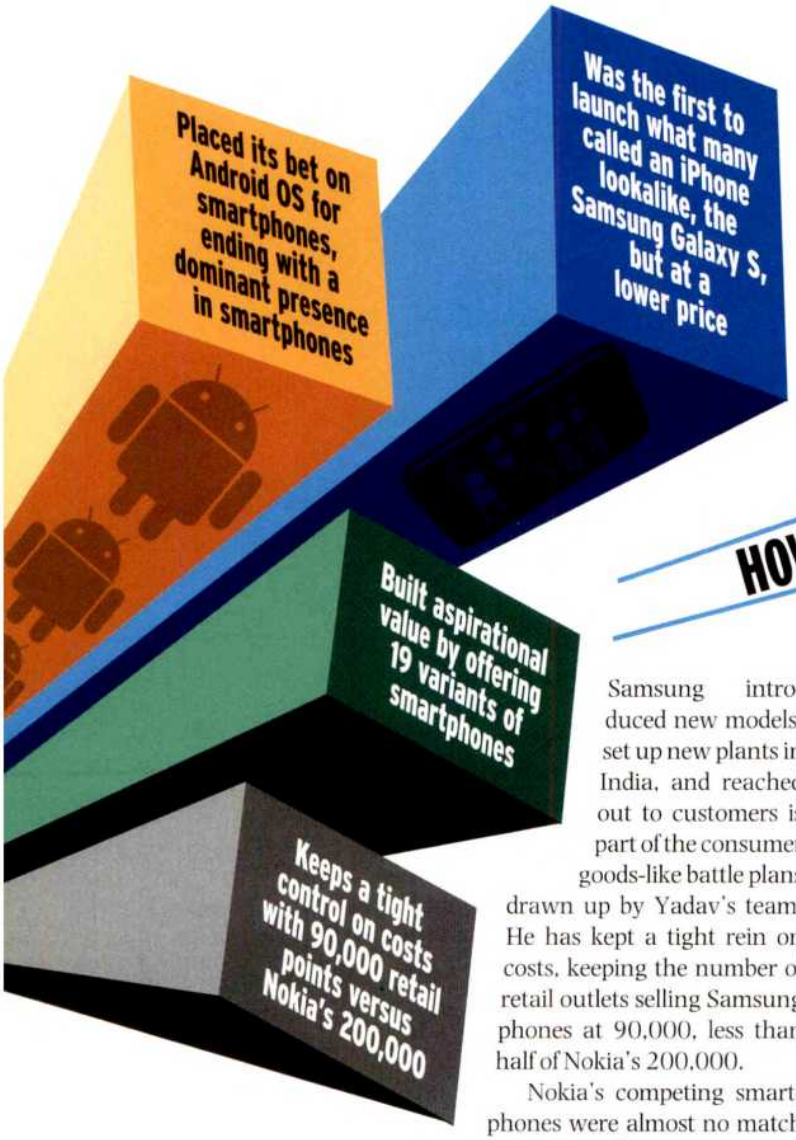
James Crawshaw, European telecom and technology analyst at S&P Capital IQ, is unequivocal about where Samsung is getting it right and Nokia wrong. "Nokia's success [lies] not in increasing market share but in increasing its smartphones portfolio," he says in a phone interview. Nokia's profits, he insists, need to come from high-end phones like that of Samsung's Android phones. Ratings firm Standard & Poor's downgraded Nokia below investment grade in April.

"A new operating system is like a new religion"

D. Shivakumar
Senior Vice President, Sales, IMEA, Nokia

The appetite in India for Android-based phones became quickly clear in June 2010 when Samsung decided to launch its Galaxy phone. Nokia's smartphones were getting strafed in the market, the Apple iPhone was hardly here, and BlackBerry did not have a great touchscreen device. "We smelt the coffee. We shook up the product portfolio," says Asim Warsi, Vice President, Marketing, Samsung Mobiles. Galaxy offered the customer aspiring for the expensive iPhone an alternative with a great multi-touch interface, a large screen, and smart applications – at ₹30,000. Samsung sold more than 100,000 Galaxys in the first three months, meeting what Warsi, an ex-Nokia hand, estimates was just half the demand.

Samsung quickly evolved the Galaxy series. It today has a portfolio of five Galaxy devices, ranging from ₹7,000 for the Pocket to ₹30,000 for the S2. The S3, globally launched May 3, will be locally priced around ₹35,000. The speed with which



HOW SAMSUNG GOT IT RIGHT

Samsung introduced new models, set up new plants in India, and reached out to customers is part of the consumer goods-like battle plans drawn up by Yadav's team. He has kept a tight rein on costs, keeping the number of retail outlets selling Samsung phones at 90,000, less than half of Nokia's 200,000.

Nokia's competing smartphones were almost no match for Samsung's. It was not until February 2011 that a Finnish answer to the Galaxy came about in the form of the Lumia phone out of the Nokia-Microsoft tie-up in February 2011. The Lumia series received rave reviews internationally but sells just two phones in India – one at ₹25,000 and a cheaper one at more than ₹15,000. The devices are way too expensive going by prices Indians are used to, says Anshul Gupta, analyst at research firm Gartner.

Nokia Pads Up, Again

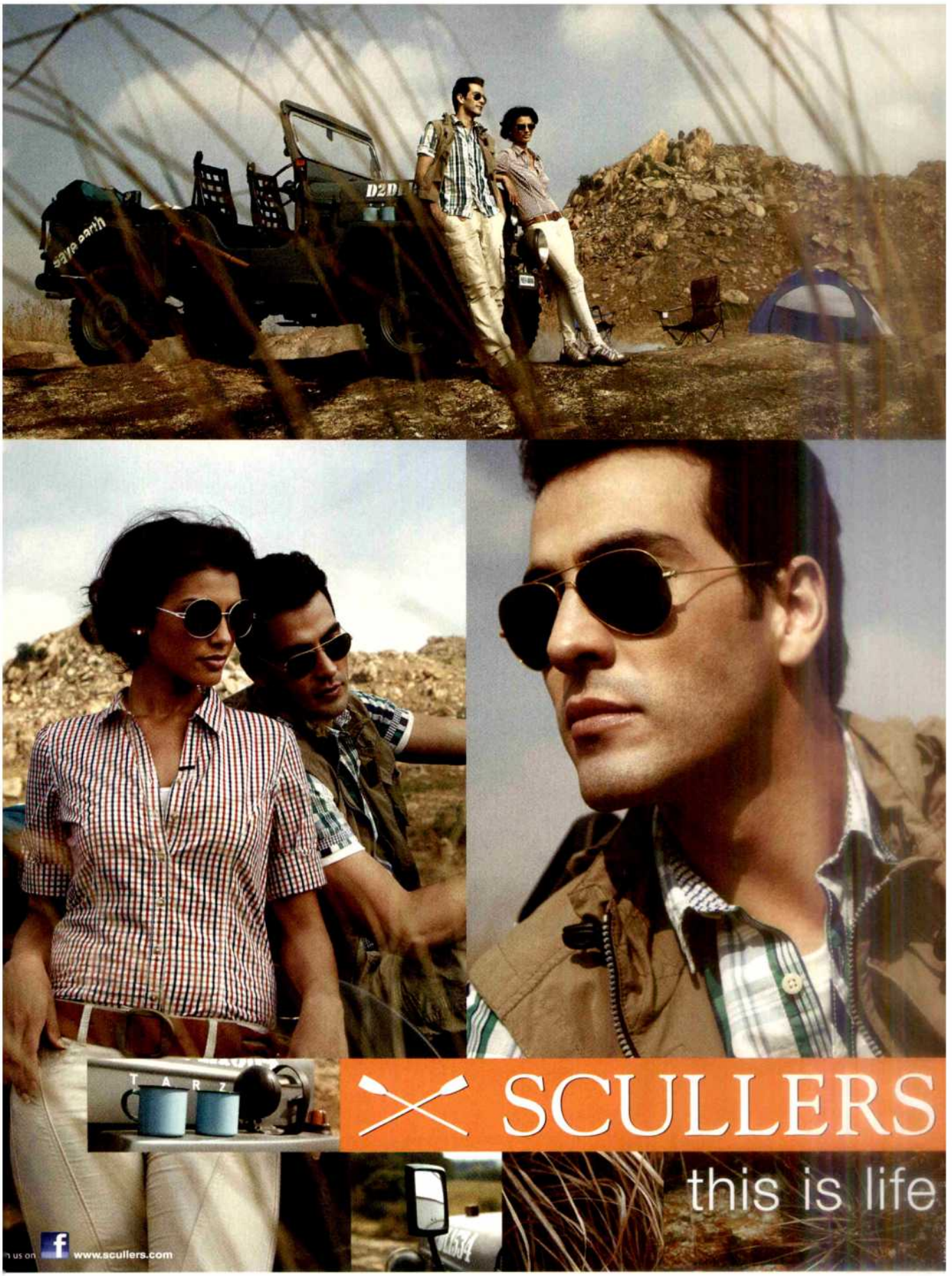
The months ahead, promise Nokia executives, will see the battleground change with new Lumia phone launches aimed at some traction in markets like India. The Lumia 610, for instance, expected to be priced under ₹12,000, is set for a June launch. Mindful that selling Windows Phone devices can be a challenge in the distribution channels, Nokia has shortlisted some 5,000 stores, whose retail staff it is training, to sell the Lumias. "Consumers are looking for more than a device," says V. Ramnath, Director of Sales at Nokia India.

The issue of margins, the most important variable in any sales channel, too seems to be getting addressed. Mohammed Ameen, a Samsung distributor in Bangalore who until September 2011 sold Nokia phones, says: "For a particular price, if Samsung gives ₹100 as margins, Nokia gives ₹30. But now that is changing, Nokia has also started passing more margins to the trade."

"A new OS is like a new religion," D. Shivakumar, Nokia's Senior Vice President of sales for India, Middle East and Africa, indicating the market takes time to accept a completely new product line. He points to the 13 awards the yet-to-be-launched Lumia 900 won at this January's Consumer Electronics Show in Las Vegas as an instance of its ability to wow customers.

Nokia's push is clearly in the right direction because smartphones will only grow as a share of the overall mobile phones market. Technology consultancy Ovum predicts smartphones will outperform the overall market for mobile phones and sell 1.7 billion units by 2017. Still, the question is whether the Windows platform was the right choice for Nokia. Ovum forecasts Android will continue to dominate with a 48 per cent share five years from now, by when the Windows platform will account for 13 per cent.

Insiders at Nokia scoff at remarks about the company being "bloated and hierarchical". One such person is Vipul Mehrotra, Director and Head of Smart Devices at Nokia India. Mehrotra, who was earlier leading Nokia's service strategy at the company's Espoo, Finland-headquarters, says he was made the project lead for Lumia phones a day after the February 11, 2011 announcement of the Nokia-Microsoft tie-up. Then, he says



an to live
e Scullers life

EXCLUSIVE STORES: Bangalore • Bhimavaram • Chennai • Coimbatore • Calicut • Cochin • Gurgaon • Hyderabad • Indore • Jabalpur • Jhansi • Kanpur • Kannur • Kota • Lucknow • Malappuram • Mangalore • Mumbai • Palakkad • Raipur • Ranchi • Satna • Surat • Thalassery • Trichur • Trivandrum • Vijayawada • Vizag

Also available at CENTRAL pantaloons trends

For franchise enquiries contact Suresh Nambiar. Ph. 09900089085, email: suresh.nambiar@indus-league.com

FACE-OFF

Samsung may have won the initial battle, but Nokia products are no pushovers

NOKIA

First MNC to launch dual-SIM handsets. Within 8 months, becomes market leader

Introduces Asha-brand aimed at "connecting the next billion to the Internet"

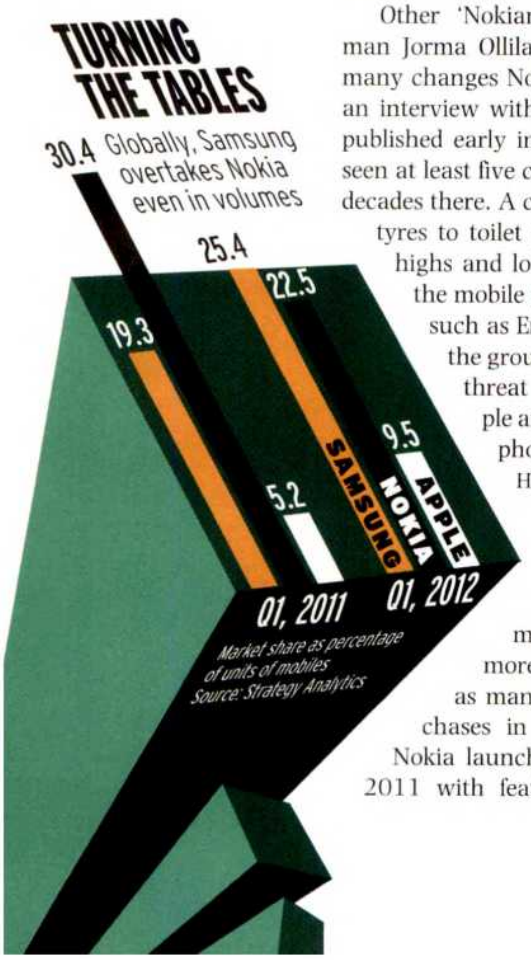
Through Lumia, Nokia has a high possibility of getting enterprise users because of Microsoft's clientele

SAMSUNG

Focuses on multi-platform strategy. Has Android, Windows and bada OS

Makes Galaxy series affordable, launched Android phones at below ₹10,000

With a great touch experience, the Galaxy S exhibited style, and appeals to the youth



with some pride in the first Lumia phone released in nine months: "We had to work at speed that Nokia had never worked before."

Other 'Nokians' like outgoing Chairman Jorma Ollila remind outsiders of the many changes Nokia has been through. In an interview with *Financial Times*, London published early in May, Ollila said he had seen at least five crises at Nokia in his three decades there. A company with a history in tyres to toilet paper, Nokia has had its highs and lows, indeed. Just as it ran the mobile phone businesses of rivals such as Ericsson and Motorola into the ground, it now faces the death threat from software giants Apple and Google in the West and phone makers Samsung and HTC in the East.

But, it has survived and how. The battle it most recently won was over the market for mobile phones with two or more SIM cards in India. With as many as half the phone purchases in India dual-SIM phones, Nokia launched such models in June 2011 with features such as multi-SIM profile recognition. Cut to today: Nokia has a one-fifth share in the dual SIM phone market with rivals Micromax and Karbonn on the ropes. Even Samsung's dual-SIM phones introduced in February have hardly dented Nokia's share.

Next, eyeing the rising data usage in India, Nokia is attempting to shift the goalpost in the mobile phone business. It has introduced the Asha-branded range of feature phones with some smartphone features at prices ranging from ₹3,000 to ₹8,000. The idea is to catch customers using data on mobile devices for the first time. A Nokia insider quotes the India office's ambition while quoting global CEO Stephen Elop: "Our turnaround will begin in India."

From the vulnerable position Nokia is in vis-a-vis Samsung, an increase in sales of Lumia and Asha phones can only be good news. But the bigger lesson the Finnish giant can learn from its mauling by the chaebol is what Haw, one of the two "littlepeople" in Spencer Johnson's *Who Moved My Cheese?* bestseller, learnt about dealing with change: "Be ready to change quickly. And enjoy it again." ◆

EDITED BY JOSEY PULIYENTHURUTHEL

Send your comments to editor.bt@intoday.com

Sheraton

take your stay TO THE next level

- Indulge in an enhanced Sheraton® Club experience, where you get exclusive access into our Sheraton® Club Lounges every day of the week. Enjoy complimentary breakfast, Internet access, evening cocktails and hors d'oeuvres that keep you fueled, connected and relaxed.

Call +65 6836 7338 or 1800 258 2508 to upgrade today.
Learn more at sheraton.com/club

Sheraton® Club is available in:
Australia, China, Guam, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam

spg. Starwood Preferred Guest

LE MERIDIEN · aloft · FOUR POINTS · WESTIN · THE LUXURY COLLECTION

W HOTELS · Sheraton · ST REGIS · element

75 Sheraton

ACHTUNG

A Mercedes alumnus takes Audi past his old master. But BMW is a faster moving target, say Suveen K. Sinha and Sunny Sen

"It took us two years," recalls Michael Perschke, "to convince Mr Ratan Tata to buy a Mercedes."

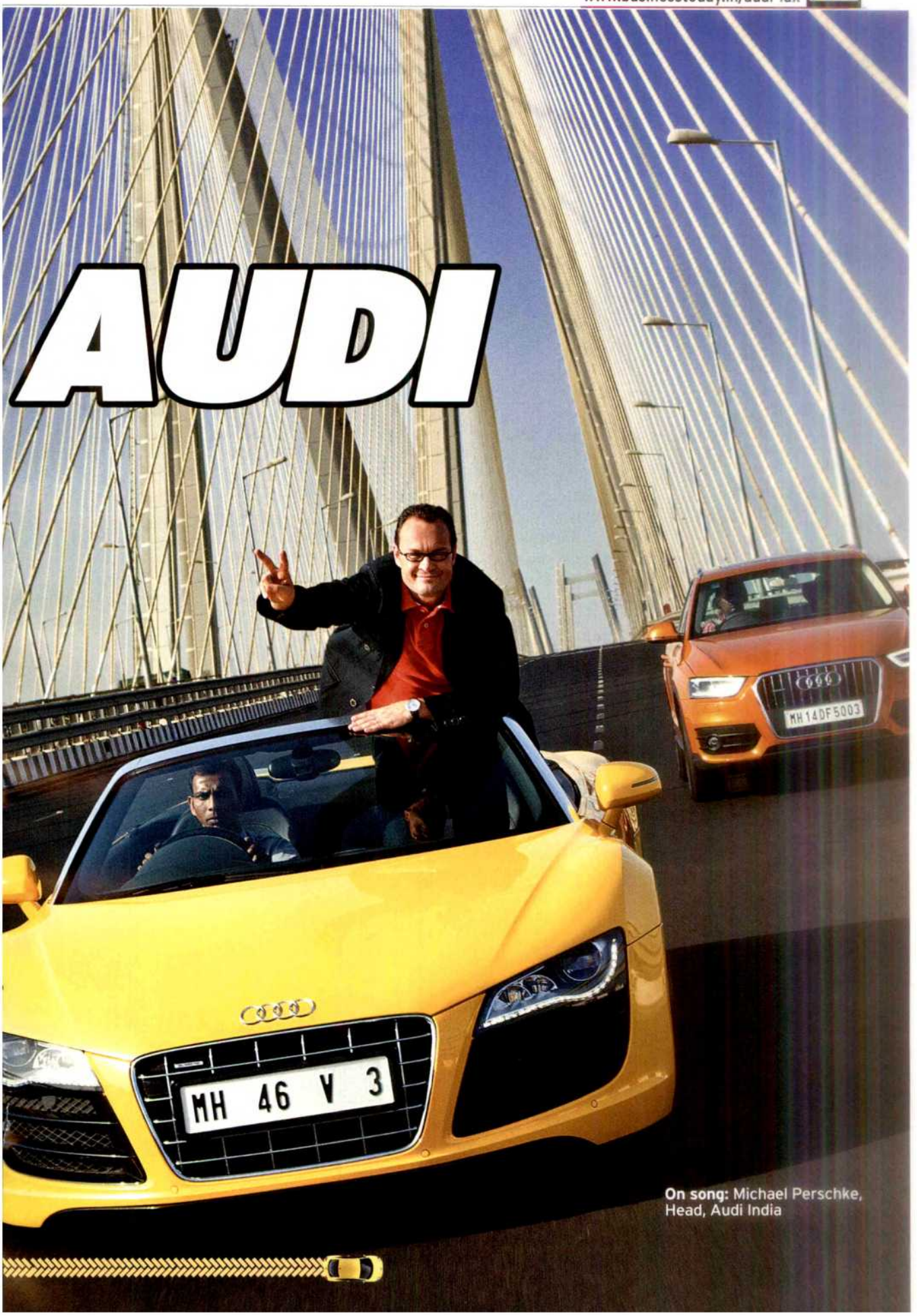
It was the late 1990s and Perschke was in Pune, employed with Mercedes Benz India, a company he now refers to as "the other luxury brand".

Tata would have made the perfect Mercedes buyer. Flush with old money, with the stature to disembark from an S-Class and not be seen as a parvenu, and born a Parsi, a community so much in love with cars that a Parsi-owned one even now fetches a premium in the used-car market. Besides, Mercedes at that time was Tata's partner. And yet... two years!

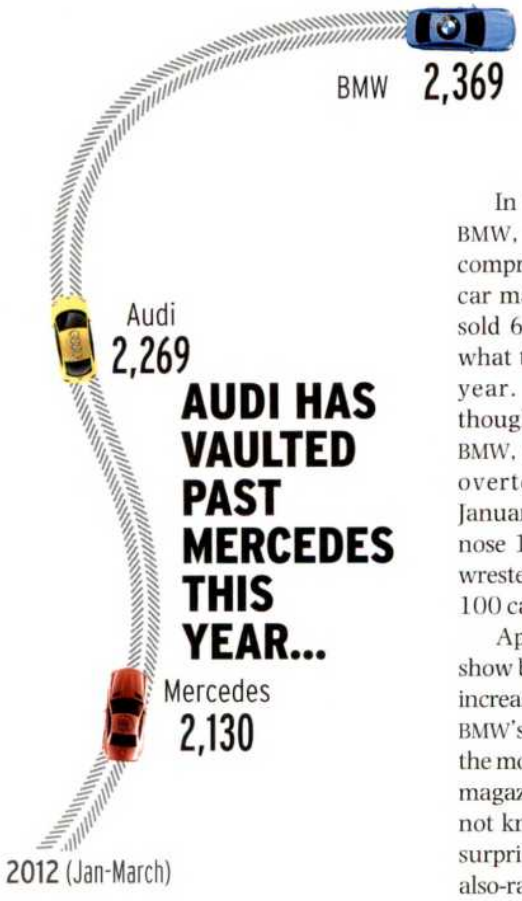
It was a different era. Indian businessmen were still finding their feet and were less comfortable expressing their success through their wheels. And there were only so many of the successful ones around. Mercedes's three-pointed star was the badge to covet, but those who could pay for it were not many and were of a certain vintage – company owners, chairmen, sirs, dads, uncles. Little surprise, then, that Mercedes, which came to India in 1994, was slow off the blocks. In 2006, after a dozen years of a largely solo run for the company, the Indian luxury car market was all of 3,050 cars.

The world has changed at warp speed since then. "Today, if you don't have a luxury car it is a problem. People say, 'You earn a lot of money, why don't you have a luxury car? Are you stingy?'" says Perschke, who left Mercedes in 2004 to join Volkswagen and has been heading Audi, Volkswagen's luxury car arm, in India since the middle of 2010.

Things began to change from 2007, when BMW and Audi – both German, just like Mercedes – came in. Five years later, in 2011, the luxury segment was more than seven times its size in 2006. "Nobody needs to justify it any longer if he drives a luxury car," says Andreas Schaaf, who heads BMW India and on an impulse bought his current car, a beautiful wine-red 5 Series GT, even though it is smaller than the 7 Series he drove earlier.



On song: Michael Perschke, Head, Audi India



AUDI HAS VAULTED PAST MERCEDES THIS YEAR...

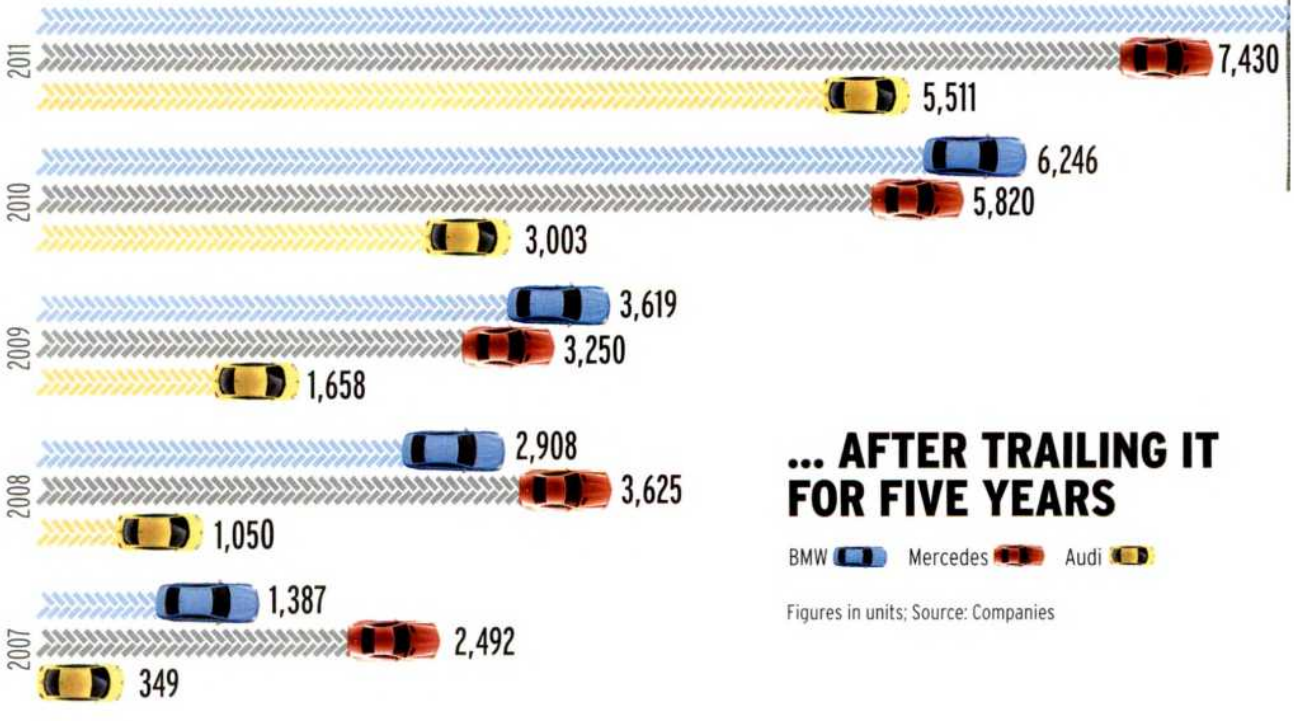
In the first quarter of this year, BMW, Mercedes and Audi – they comprise almost the entire luxury car market in India – had already sold 6,768 cars, nearly a third of what they sold in the whole of last year. The order of the names, though, needs to be rearranged as BMW, Audi and Mercedes. For Audi overtook Mercedes in sales in January-March this year, putting its nose 139 cars ahead. BMW, which wrested pole position in 2009, was 100 cars ahead of Audi.

April has seen another strong show by Audi, as it sold 562 cars, an increase of 50 per cent over last year. BMW's and Mercedes's numbers for the month were not ready when this magazine went to print and one does not know if Mercedes will spring a surprise. But Audi is no longer an also-ran in the luxury car race.

By 2015, Audi hopes to become the number one luxury car brand in the world as well as in India. In fact, everyone in the company wears a tiny badge on her lapel that says No 1.

That may be easier worn than done. For, BMW is not a stationary target. It has moved quickly from 1,387 cars in 2007 – when Audi sold 349 – to 9,371 in 2011 – 5,511 for Audi – and has its own plans for world domination.

In Audi's favour are the economies of scale it gets by being part of VW, the world's second-largest carmaker after General Motors, and one which has rapidly gained volumes in India with all its three brands – Skoda being the third – drawing buyers. VW wants to become the world's largest auto maker by 2018 and Audi's ambition to overtake BMW is a cornerstone of that goal. BMW, for its part, maintains that its autonomy keeps it flexible and focused.



... AFTER TRAILING IT FOR FIVE YEARS

BMW Mercedes Audi

Figures in units; Source: Companies

ADITYA KAPOOR

Whichever way the dice roll, it will be fascinating to watch. No less than the way in which BMW and Audi brewed their separate, albeit similar, plans to overtake Mercedes.

For Audi, it started with a baby shower.

Living in Pune, Perschke made many friends, whom he visited even after moving to Mercedes's head office in Germany in 2000. He sensed a change when he came to attend the baby shower for the child of Amit Kalyani, son of Bharat Forge Chairman Baba Kalyani. Outside the venue, there was a gaggle of shiny luxury cars. But many of them could not be called cars in the strictest sense; they were sports utility vehicles (SUVs). Interestingly, many of them were driven not by liveried chauffeurs, with grey men in the back seat, but by people who Perschke remembers as "young boys".

"The SUV was booming already when I left Mercedes. If you talked to any Karnataka coffee planters, all of them had a Pajero, and [so did] the film stars. We needed two products in Mercedes, the S-Class [sedan] and the ML [SUV], but somehow they never listened to the research and we spotted an opportunity," says Perschke. That is why, of the first two cars that Audi brought to India, one was the Q7, an SUV. Forty per cent of its sales here are SUVs.

BMW came with two sedans, the 7 Series and 5 Series, but was no less alert to the gaps in the market. "What made us confident was not the number of cars being sold; that was rather frightening. But we had

done extensive research. People had a high level of dissatisfaction with the lack of choice, with only one product in the market," says Schaaf.

BMW's SUVs, the X series, came in soon after and went a step further than just tapping an emerging segment. The X1, priced at ₹24.5 lakh in New Delhi's showrooms, put a luxury brand within the budget of the non-Chairman. As did the 'corporate edition' of the 3 Series sedan, priced at ₹24.4 lakh. "Mercedes was addressing the top end, which was a very limited segment. We wanted to get into the new group of people creating wealth through education, the GM-level people, the growing segment," says Schaaf.

But neither BMW nor Audi may have won over the core Mercedes clientele. According to a report in *Autocar India* in April 2010, two of the eight cars in Ratan Tata's basement are Mercedes: an S-Class and a 500 SL. No BMW or Audi there. "That does not worry us," says Schaaf. "Mercedes is positioned in the old money segment. Is it necessary to be positioned there? I don't think so. We are where the future is. All Bollywood stars drive BMWs."

Audi took the slower lane. It became a household name in India in 1985 when Ravi Shastri won an Audi 100 in the Benson and Hedges Championship of Cricket in Australia and the entire cricket team was photographed clinging to the car's body. But Audi was hardly aware of the inroads it had made. It was not even an independent brand then; its sales and distribution was done jointly with Volkswagen. And it was not truly global, confined only to the United States, Europe and a bit of China.

By the time Audi came to India, a good 22 years later, Shastri had been long out of the playground and in the commentary box. Independent and international, Audi decided to build its brand slowly, in keeping with its understated image. Its belief was that building the brand was more important than a quick surge in sales, that once the brand had been established as one to aspire to, sales would follow.

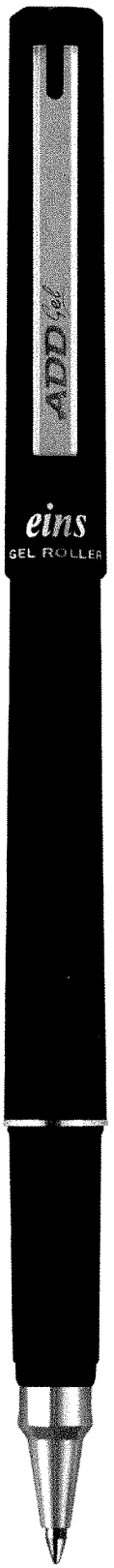
In the process it won over some who could be seen as the Mercedes people. Adi Godrej, Chairman of the 114-year-old Godrej Group, owns an A8, Audi's biggest sedan. He is as much a part of the old business elite as Ratan Tata, but may be perceived by some as the more likely to accept an invitation to a party. "I tried out the Audi in Davos at the World Economic Forum, and then I heard very good reports about it, so I decided to get an Audi," Godrej told Perschke in a conversation published in the *Audi* magazine. Perschke counts Sunil Munjal of the Hero

KAUSHIK RAO

"BMW and Audi are ahead of us just because we have a gap in our portfolio"

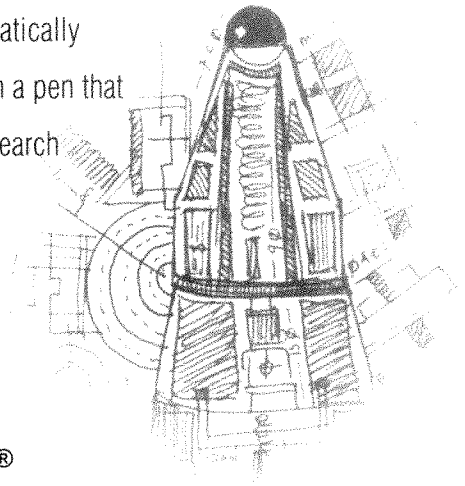
Debashis Mitra,
Director, Sales and Marketing, Mercedes India

ADD Gel
Leaders in Writing Technology



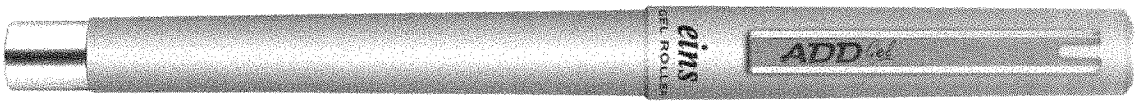
A micro spring as thin as hair. A roller ball almost as hard as a diamond. A technology that adapts to you.

Presenting Eins from ADD Gel. Revolutionary Gel Roller Technology that has a ball made from Tungsten Carbide, only the second hardest material after a diamond. Coupled with a micro-spring made from high tensile steel as thin as hair, the technology enables the pen to recognize your writing style. Giving you uniform and smooth writing pleasure every time. What's more, when the pen is left unused it automatically shuts the tip from inside, resulting in a pen that never dries. A result of Japanese research and German engineering...
Ingenious!



eins®
GEL ROLLER

Writes to your taste



www.addpens.com | email: corpsales@addpens.com

Invitation Price ₹ 70/-

"I tried out the Audi in Davos at WEF, I heard good reports about it, so I decided to get an Audi"

Adi Godrej, Chairman, Godrej Group

Group and Baba Kalyani among other famous Audi owners.

"They are the people who own businesses. They are not accountable to anybody if they buy an A8; they do so because they want it," says Perschke, who believes that a typical Audi buyer is a few years younger than the BMW or Mercedes buyer.

To him, that is a big business advantage. "The older generation worked hard to earn the money, so it is a bit stingy. But the new generation grew up with the wealth, or made wealth pretty quickly, like the property developers or the IT guys. Besides, the older generation holds on to its luxury cars for eight, nine, or 10 years. The young guys change their cars every two or three years," Perschke says.

Schaaf is not too taken in by the age talk. "Age is not a factor for us. We are not a youngsters' brand, we have never wanted to be. Our average buyer is 40-plus. We are for successful businessmen and company owners. Over 60 per cent of our customers like to drive their car every once in a while. This is the difference: we make cars that give driving pleasure."

Amid this sparring between BMW and Audi, it is easy to forget the one that has been around the longest. But Mercedes will not be forgotten so easily. "On comparable models, we are far ahead of BMW, Audi. BMW is ahead only because of one brand in its portfolio, the X1. For Audi, it is the Q7 and Q5. They are ahead of us [in January-March] just because we have a gap in our portfolio," says Debashis Mitra, who heads sales and marketing for Mercedes Benz India, and spoke to *BT* as the head of the India unit, Peter T Honegg, was busy at the headquarters in Stuttgart.

He is sanguine in the face of the change in the rankings. "Is it important [to be No 1]? Yes, of course!" However, according to him, the real countdown has just started. "When all three companies have all their weapons out, the game of numbers begins. Otherwise it is child's play."

This view finds support from Vikas Sehgal, the London-based global head of automotive practice for investment bank Rothschild. The volumes in India are still too small, says Sehgal, to take the ranking changes seriously.

But the volumes will not remain small forever. Ten years ago, the luxury market in China was where India's is today, but has since grown to about a million units. Though India will take its time to get there, everyone expects Indians to buy about 150,000 luxury cars in 2020.

By then the buyers will mature. "People are buying luxury cars today to flaunt them. They are buying for gimmicks like a remote control or an audio system. But the real luxury is the drive quality. And we are the actual luxury cars," says Mitra. ◆

How Important Is India to Audi?

2011

The year Audi announced China and India as its key growth markets

41%

Audi's growth rate in the Indian market

5,511

The number of cars Audi sold in India in 2011. It sold 313,000 in China

2015

The year by which Audi has vowed to become the world's, and India's, largest luxury car brand

50%

is Audi's growth rate in April 2012

My son never wanted to be in my money lending usiness. But when Franchise India advised me to ecome a franchisee of a prestigious fashion hain, he was the first to join me!"

Name: Arvind & Abhijeet Agarwal
Franchisee: Prestigious Fashion Stores Chain
City: Jaipur

Franchise India, we understand what investors look for in an stment besides great returns: The pride of being associated big and prestigious brands. And the joy of owning a reputed iness in town. Which is why, we bring great business ortunities from over 1100 brands – global, national as well as l. In fact, we have hundreds of expert Business Brokers across country who help over 2.5 Lakh registered investors find the t business that matches their profile. Little wonder, we have erged as the No.1 Franchising company in Asia & the Middle . Call our experts for a no-obligation consultation. It will be your step to making it big in business.

UNMATCHED REACH – Presence in 231+ cities and towns across India

INVESTOR POTENTIAL – 2.50 Lakh+ Registered Investors

LOCALISED CAPABILITY – 8 Zonal Offices 600+ trusted and experienced Deal Makers

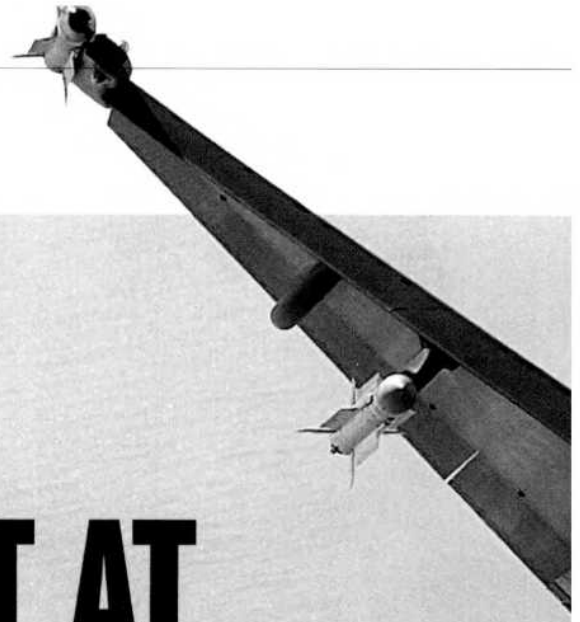
PROVEN TRACK-RECORD – 1100+ brands

r more details contact :
rth: Sahil | 09311908855 | sahil.arya@franchiseindia.in
st: Ashok | 09331411327 | ashok.nair@franchiseindia.in
uth: Mayank | 09341240138 | mayank.vashisth@franchiseindia.in
est: Poonam | 09022940170 | poonam.chaudhary@franchiseindia.in

ww.franchiseindia.in
800 102 2007

nchise India Brands Limited
39/11 Okhla Industrial Area, Phase-1, New Delhi 110020

FRANCHISE INDIA
Your growth is our business

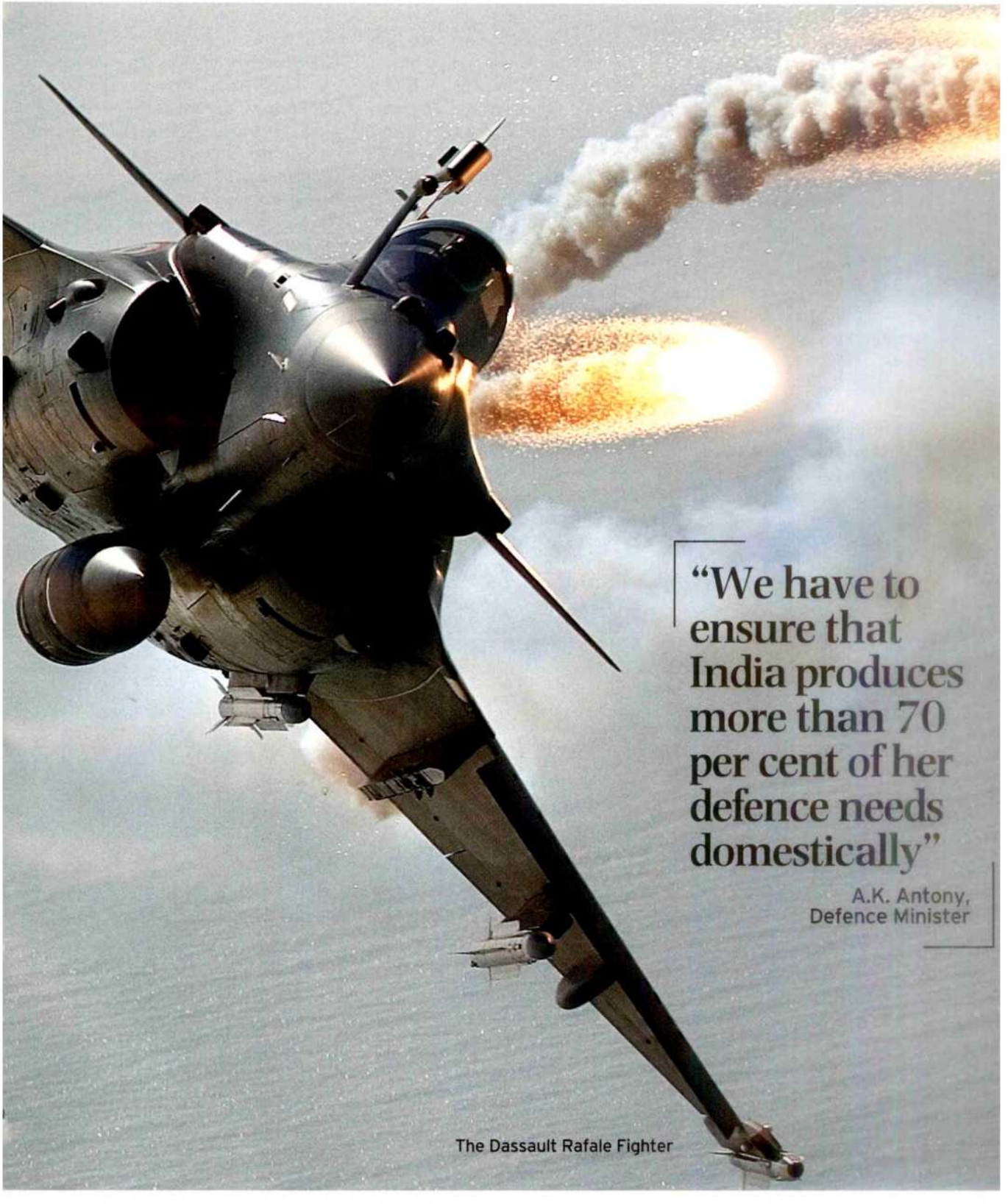


A SHOT AT $50 BILLION

With the arms industry opening up, Indian companies could make a killing

By KUSHAN MITRA

On July 26, 2009, President Pratibha Patil pressed a button that launched *INS Arihant*, India's first indigenously built nuclear submarine, into the Bay of Bengal. As he watched the submarine disappear under the waters off Visakhapatnam, home base of India's Eastern Naval Command, M.V. Kotwal was a satisfied man. The President of Heavy Engineering at Larsen & Toubro (L&T) had good reason: the hull of the vessel had been built at his company's shipyard in Hazira. If the government sticks to its plans, L&T and other private companies could soon be producing far more than submarine hulls for India's armed forces. Currently, defence is worth less than ₹2,500 crore



"We have to ensure that India produces more than 70 per cent of her defence needs domestically"

A.K. Antony, Defence Minister

The Dassault Rafale Fighter

to the private sector. But that is set to change with the Centre keen on making domestic companies meet 70 per cent of the country's defence needs within the next five years. For Indian companies, that is an opportunity of at least $50 billion (12.5 lakh crore).

Two large defence contracts, worth a combined ₹75,000 crore, best epitomise this new approach. Set to be awarded by the Defence Ministry in the next few months, these contracts will be unique, as they will be 'Make in India' deals. Meaning, the Future Infantry Combat Vehicle (FICV) and the Tactical Communication System will be designed, developed and built in India. The private sector will jostle for these contracts along with the usual suspects: defence public sector units (DPSU). Companies such as Tata Motors, Tata Power, Mahindra and Mahindra, Ashok Leyland, L&T, Wipro and Infosys are all part of consortia bidding for these contracts.

Kutub Hai, a retired Brigadier who spearheaded Mahindra's entry into defence a decade ago, believes the FICV and the Tactical Communication System contracts can change the face of India's defence manufacturing industry. "Until now, we have adapted Western systems to meet our requirements. The FICV will be unique because we will be building a system for our unique needs." The contract is worth ₹60,000 crore.

With the country expected to spend an estimated $100 billion over the next 10 years on arms, the opportunity before the private sector is unprecedented. A recent report by the Confederation of Indian Industry (CII) and the Boston Consulting Group (BCG), underlines the fact that India is set to become a global leader in defence manufacturing. The report notes that if the country is to achieve its target of getting the manufacturing sector to account for 25 per cent of Gross Domestic Product (GDP), the defence sector has to take the lead.

"If India is to achieve 70 to 80 per cent domestic supply, production will need to increase almost 30 per cent annually. Even if you double productivity of each employee, there can be 120,000 new jobs created in defence manufacturing, and up to a million new jobs overall," says Ajai Chowdhry, Chairman of HCL Infosystems and President of CII's

KEY PRIVATE SECTOR COMPANIES IN THE DEFENCE INDUSTRY

R. Seshasayee

Ashok Leyland
Design and development of special vehicles

S.D. Shibulal

Infosys
Systems Integration, product engineering, custom software development

Jamshyd Godrej

Godrej & Boyce
High-tech engineering, including aerospace projects

Harsh Chitale

HCL Infosystems
Systems integration, large-scale project management

Vineet Nayar

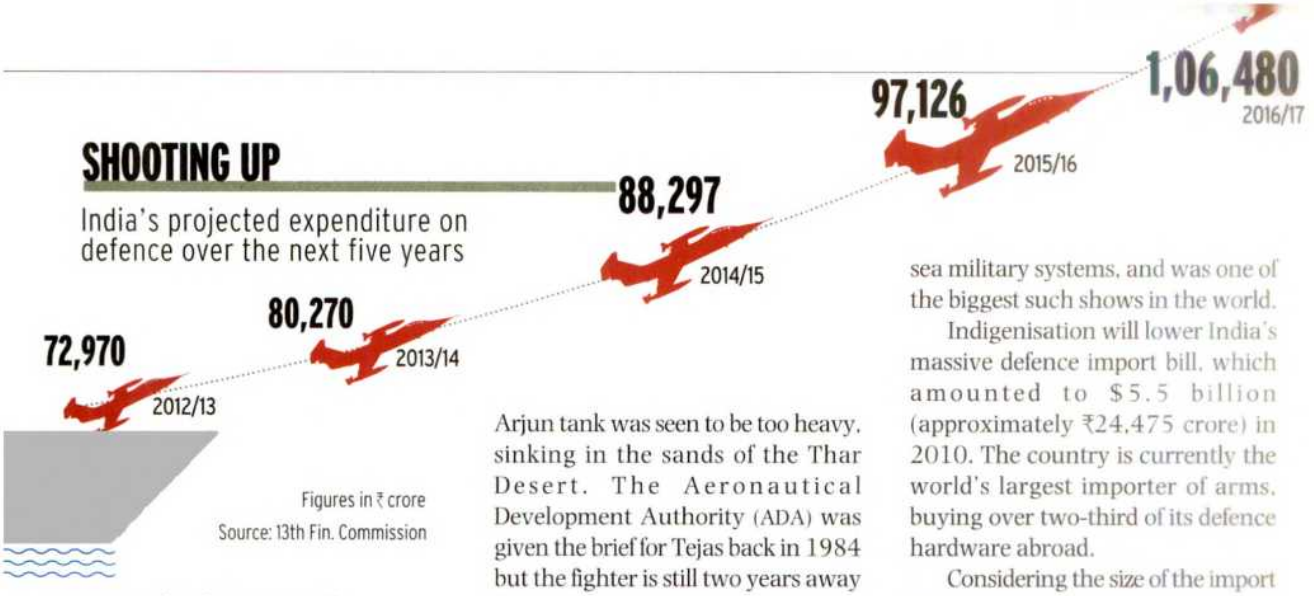
HCL Technologies
Application development and software development

Baba Kalyani

Bharat Forge
Forged and machined components for automotive and non-automotive purposes

SHOOTING UP

India's projected expenditure on defence over the next five years



Figures in ₹ crore
Source: 13th Fin. Commission

National Defence Council.

But, there are challenges ahead, not least because of India's poor track record in delivering large-scale indigenous projects. For instance, the Arjun Main Battle Tank and the Tejas Light Combat Aircraft have consumed huge resources and taken decades to develop, with little to show. The Defence Research and Development Organisation's (DRDO) Arjun tank was seen to be too heavy, sinking in the sands of the Thar Desert. The Aeronautical Development Authority (ADA) was given the brief for Tejas back in 1984 but the fighter is still two years away from full induction in the Air Force.

Defence Minister A.K. Antony believes letting in private companies could be the way forward. "We have to ensure that India produces more than 70 per cent of her defence needs domestically. For this we need the participation and co-operation of the private sector," he said at the recently held DefExpo in New Delhi. The exhibition highlighted land and sea military systems, and was one of the biggest such shows in the world.

Indigenisation will lower India's massive defence import bill, which amounted to $5.5 billion (approximately ₹24,475 crore) in 2010. The country is currently the world's largest importer of arms, buying over two-third of its defence hardware abroad.

Considering the size of the import bill, the delay in giving private companies a greater role is surprising. "The defence sector is worth just ₹500 to 600 crore for us annually," says Kotwal, "and it is not a regular business." L&T had revenues of ₹52,000 crore in 2010/11, and defence is a tiny drop in that ocean.

Some believe that part of the problem stems from India's 'offset' policy. Offsets first made an appear-

A.M. Naik

Larsen & Toubro
Design and manufacture of missile systems, control systems and integrated naval engineering systems

Anand Mahindra

Mahindra & Mahindra
Light combat and armoured vehicles, simulators, sea mines

N. Chandrasekaran

TCS
Software development

P.M. Telang

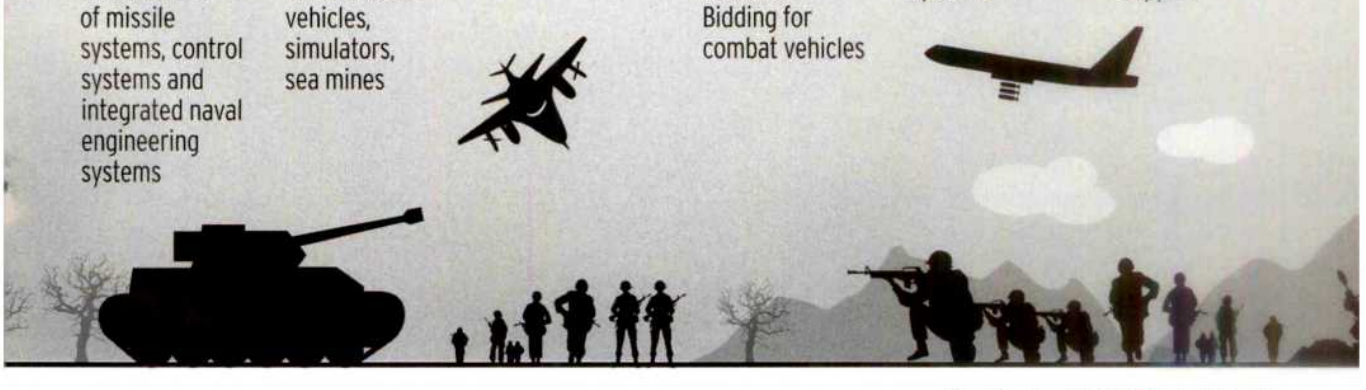
Tata Motors
Largest supplier of non-combat vehicles. Bidding for combat vehicles

Anil Sardana

Tata Power
Electronic and power-control systems

Azim Premji

Wipro Technologies
IT and systems support



ance in the 2006 Defence Procurement Policy (DPP), which stipulated that 30 per cent of the economic value of all defence contracts worth more than ₹300 crore had to be given – offset – to Indian companies. The policy has been refined – and some say diluted – over the past few years.

The latest DPP, formulated in 2011, has more areas in which offsets can be credited, including civil aviation and internal security.

"The offset policy is complete bunkum," says Nitin Pai, Fellow and Founder of the Takshashila Institution, a defence and economic think-tank. "The problem with offsets is that they are based almost completely on economic value rather than technology. It is therefore in bureaucrats' interest to meet offset value targets."

L&T's Kotwal has an amusing and disturbing anecdote about an offset deal. "We were asked if we could be a partner in the offsets of a foreign supplier. We were excited because we thought we could pick up valuable engineering insights. But these guys wanted us to put up a building as part of the offsets [L&T is also one of India's leading construction companies]. I was flabbergasted."

The solution, Pai argues, is for the government to remove the 26 per cent foreign direct investment (FDI) cap for defence suppliers and allow full FDI. To buttress his point, he cites the example of the Indian automotive industry. "When India opened up its economy in the early 1990s, a host of carmakers came to India. Some tied up with Indian firms while others came with full ownership of their subsidiaries. In the process, we built the knowledge and skills to develop and build passenger vehicles of our own. The same has to happen in defence."

But the offset policy also has its defenders, some of them foreign suppliers. One of the companies that needs to fulfil offset requirements is American aerospace major, Boeing. The company has already sold eight

WHAT INDIAN COMPANIES COULD BUILD

- Ultra-light howitzers
- Towed, wheeled and self-propelled 155 mm artillery guns
- Future infantry combat vehicle
- Air defence guns
- Command, control, communication and computer intelligence systems (C4I)
- Anti-tank guided missiles
- Robotic military vehicles
- Thermal and optical night-vision systems

Offsets: Great Idea, Poorly Executed

The dilution of India's offset programme over the years to include non-military projects has defeated the government's main aim from the policy, which was to acquire technology and boost local industry.

Even in the Indian Army's deal for its Czech-made Tatra trucks, no technology acquisition took place despite there being a technology transfer clause. The first truck was supplied to the Army in 1986. Yet, BEML, the Indian partner of the Tatra manufacturer, is still importing the trucks and supplying them to the Army at a 100 per cent premium over their price in the Czech Republic. At least it was, until General V.K. Singh, Chief of Army Staff, blew the lid off the secret by revealing he had been offered a bribe of ₹14 crore to clear "sub-standard" trucks.

While India has failed to leverage offsets well, countries such as Australia, South Korea and Turkey have shown that offsets can be used successfully for knowledge transfer. For instance, global consumer electronics and durables giant, Samsung, is also a leading supplier of artillery guns through Samsung Techwin, its subsidiary.

Samsung Techwin's capabilities have been built largely through technology transfers from various suppliers to the South Korean Army. L&T has tied up with the Korean company and proposes to supply the Indian Army with the 'K9 Thunder', a self-propelled 155 mm howitzer. Samsung has also exported components of the gun to Turkey, which has adapted the gun for itself thanks to a well-developed offset and technology transfer system.

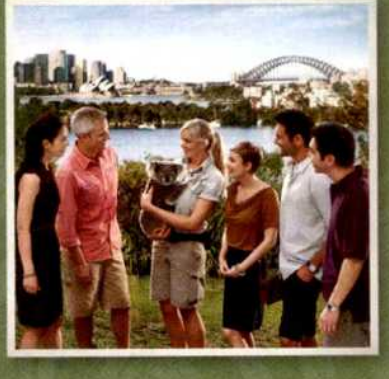
Samsung Techwin's K9 Thunder howitzer

There's nothing like discovering the pleasure of business

There's nowhere quite like Australia. This is why Sydney was the perfect incentive destination. After being welcomed like locals, the group were treated like guests. They had exclusive access to the famous sights – from a team sailing regatta on Sydney Harbour to getting up close to the wildlife at Taronga Zoo. The farewell dinner in the Botanic Gardens was extraordinary, with the Sydney Opera House providing an inspiring backdrop. Watching the team immerse themselves in the program, it was clear this was one business event they would never forget.

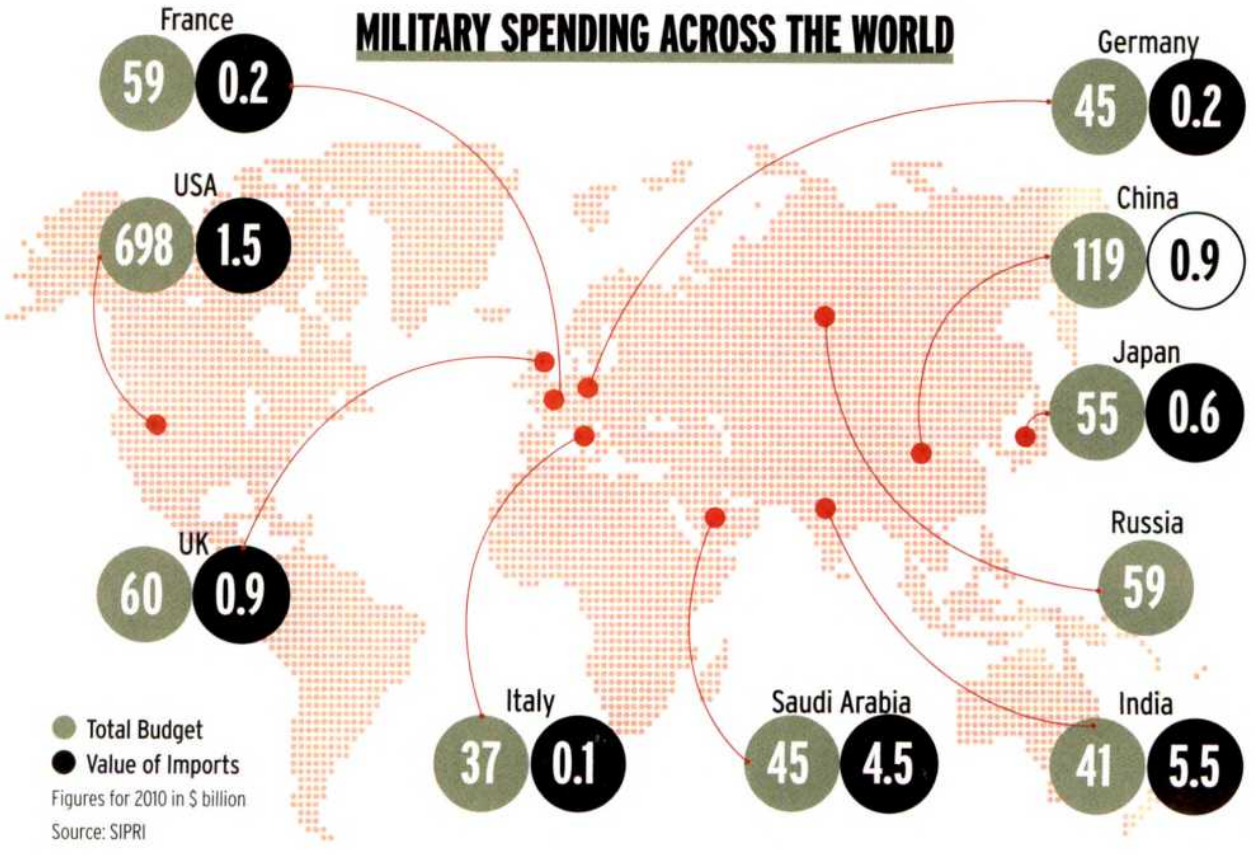
David, Event Planner.

Visit **businessevents.australia.com** for everything you need to plan your Australian event.



There's nothing like Australia

Business Events Australia

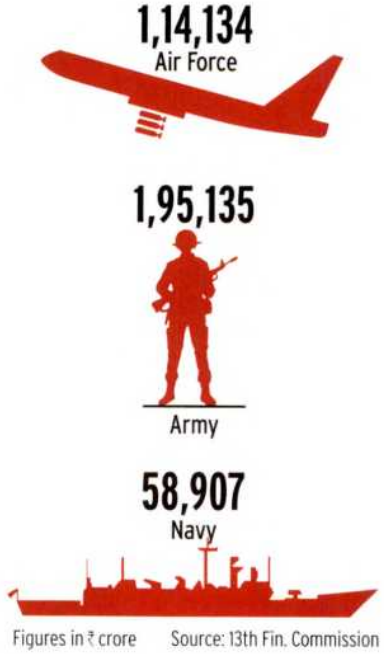


P-8I naval reconnaissance aircraft to India for $2.1 billion and 12 Boeing C-17 heavy-lift aircraft for $4.1 billion. Dennis Swanson, head of Boeing's defence operations in India, is a veteran of offset deals. "We work closely with Indian industry, both in the public and private sectors, to meet our offset requirements," he says. "It is only natural that a country would want to offset parts of these multi-billion deals, and building up skills in India will benefit this country in the long-term."

However, Boeing has faced difficulties with offsets in the past on the commercial aviation front. When the company sold 68 aircraft to Air India in 2005, part of the offset clause involved development of a Maintenance, Repair and Overhaul (MRO) facility. Nagpur, the largest city in then Civil Aviation Minister Praful Patel's native Vidarbha region, was chosen as the location for the centre. The MRO facility is yet to see the light of day, though Boeing's India chief, Dinesh Keskar, says the project will be operational by the middle of next year. Defence contractors have a seven-year window to complete offset requirements. But finding partners who have the funds and abilities to meet their stringent requirements is easier said than done.

THE INDIA BREAK-UP

Projected expenditure by each service division 2011-15

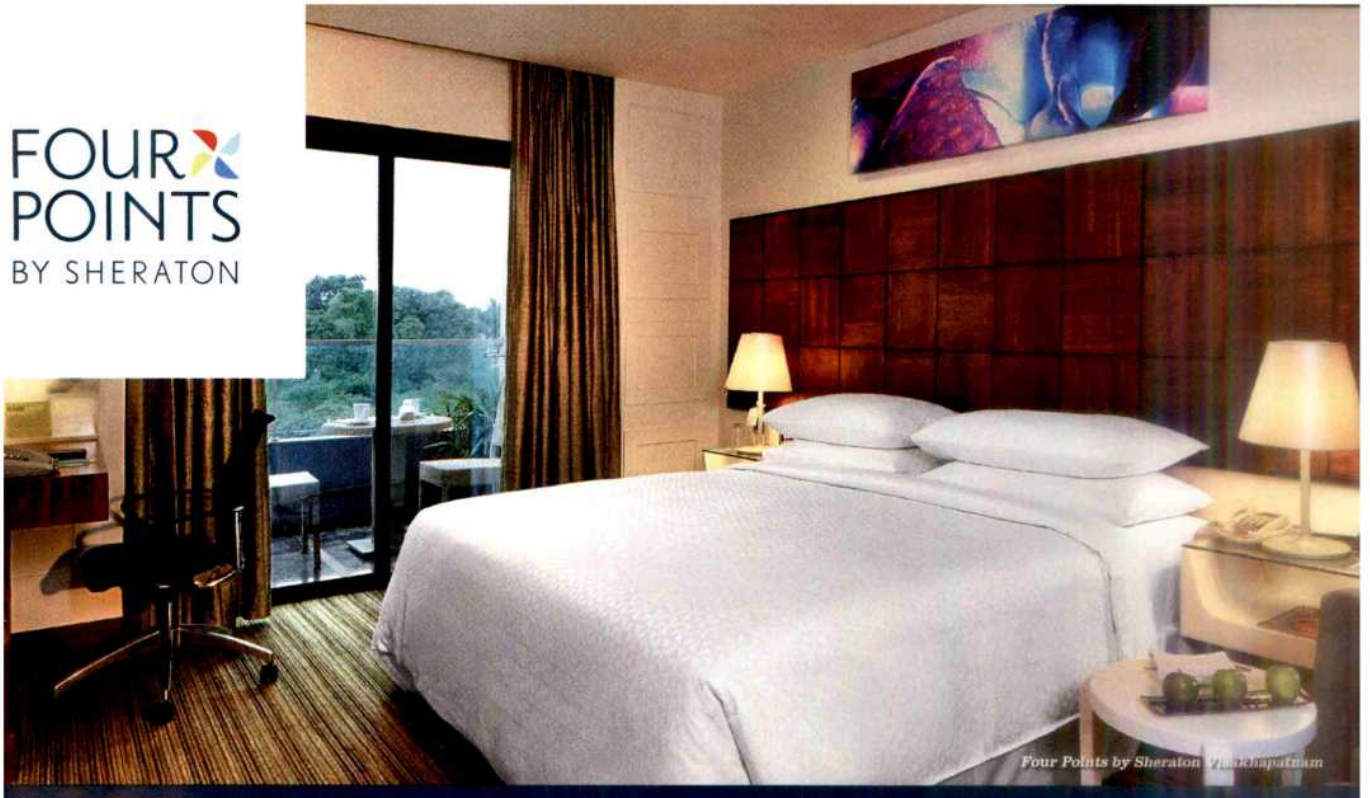


Figures in ₹ crore Source: 13th Fin. Commission

Recently, India announced it would be buying 126 Rafale fighter jets from France's Dassault aviation for an estimated ₹52,000 crore. Under the terms of the Medium Multi-Role Combat Aircraft (MMRCA) tender, 50 per cent of the total deal value will be economically offset to India. Anil Lal, Chairman and Managing Director of state-owned Bharat Electronics, expects $300 million worth of offset business from the deal.

There are some examples of successful joint ventures between Indian and foreign companies in the defence space. These include the tie-up be-

FOUR POINTS
BY SHERATON



COME STAY WITH US

Great hotels. Great rates.

NOW OPEN

Navi Mumbai, Vashi

Jaipur, City Square

Pune, Nagar Road

Visakhapatnam

BOOK NOW: PLEASE CALL TOLL FREE 1800 258 2555 OR EMAIL RESERVATIONS.AP@FOURPOINTS.COM

FOURPOINTS.COM

spg. Starwood Preferred Guest

LE MERIDIEN · aloft · FOUR POINTS · WESTIN · THE LUXURY COLLECTION

W HOTELS · Sheraton · ST REGIS · element

How China Does It

The best example of a country becoming a net exporter of arms from a net importer is China. With an outlay in excess of $100 billion, its annual defence budget is second only to that of the United States.

According to Navneet Vasishth of the Boston Consulting Group, the country was the world's largest arms importer as recently as 2005/06, buying advanced Russian hardware. However, last year, China was the world's sixth-largest arms exporter.

Over the years, through a combination of espionage and reverse engineering, China has developed a cutting-edge military industry. The Shenyang J-11, one of the aircraft that forms the backbone of the People's Liberation Army Air Force, is an unabashed copy of the Russian Sukhoi-27 aircraft, which China had acquired.

GETTY IMAGES

The J-20 stealth fighter

"We may laugh at the way the Chinese copy things," says V. Sumantran, Chairman, Ashok Leyland Defence Systems. "But by doing that, they have been able to absorb skills that they might never have otherwise learned. You know what is not funny? The fact that last year the Chinese built their own indigenously designed stealth aircraft (J-20)."

Sumantran and others point out that China has harnessed its manufacturing prowess, developed over the past decade by building everything from iPods to washing machines, to enhance its military power.

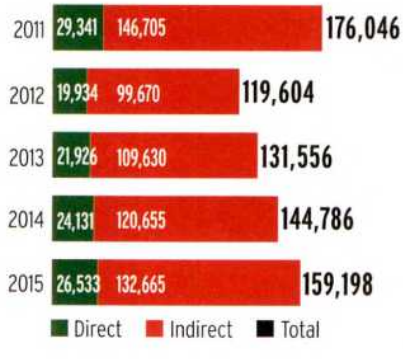
tween Tata and American helicopter firm Sikorsky, part of the United Technologies conglomerate, to build bodies for S-92 helicopters. The first S-92 helicopter body from the Tata-Sikorsky deal was recently completed and flown to India. The joint venture is now looking to bid for a potential contract for heavy-lift helicopters from the Indian Army.

The tie-up between Mahindra and BAE Systems is another example. The joint venture is building Mine-Protected Vehicles (MPV) for police and paramilitary forces and recently sold several of these vehicles to the police forces in Chhattisgarh, which is combating an ultra-left wing insurgency.

Apart from submarine hulls, L&T is also involved in other key defence projects. It manufactures fast pursuit boats for the Indian Navy and Coast Guard, and is developing and manufacturing missile launchers for the Indian Army.

Mahindra's Hai is bullish about the sector. "Joint ventures work because they can bring in the best of both worlds. We understand the Indian business environment and have manufacturing facilities up and running. Our partners can bring in the best in technology."

JOBS IN DEFENCE

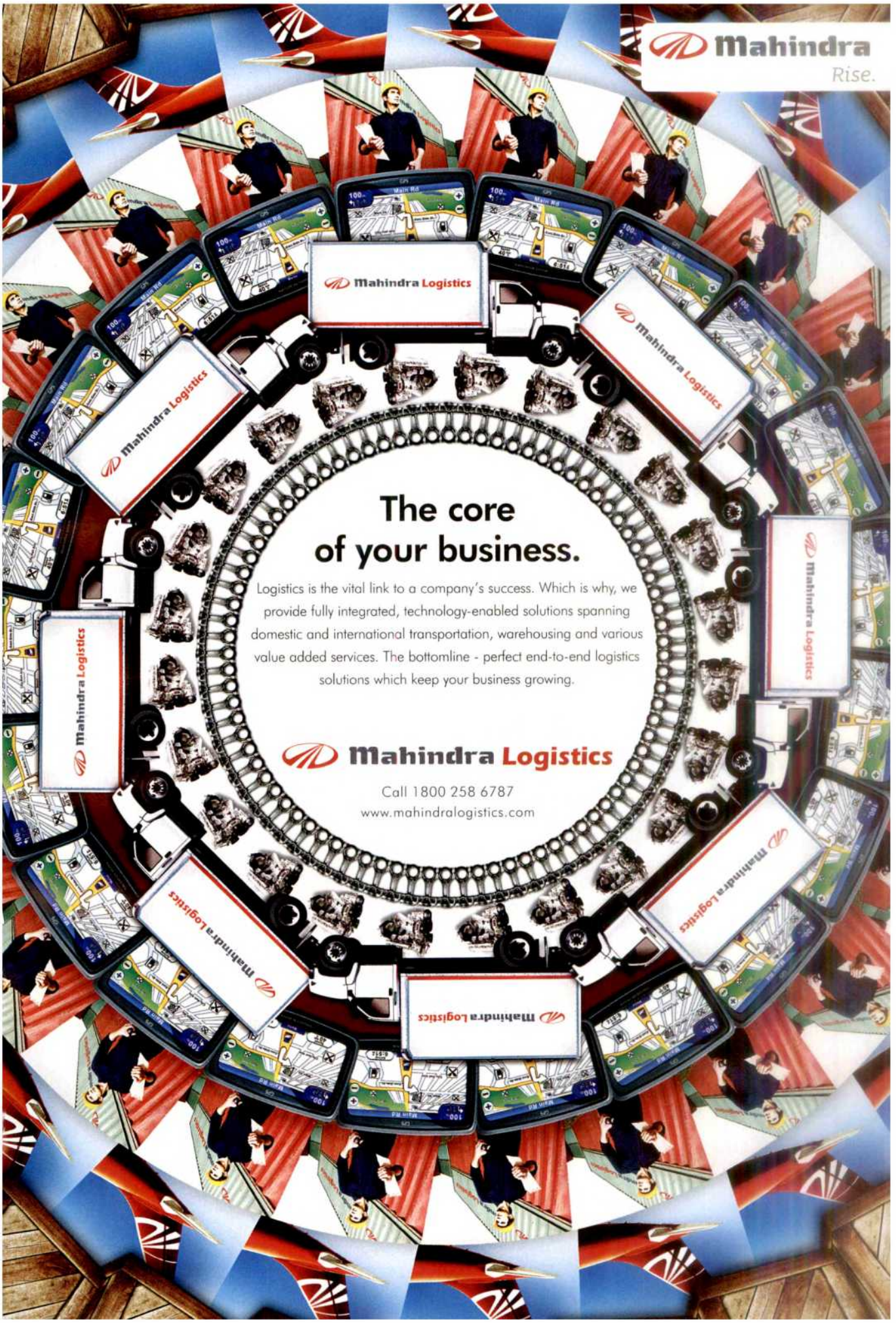


Source: CII-BCG report

The Mahindra group announced two more joint venture proposals during DefExpo, one with US-based electronics and communications firm, Telefonics, and another with Israeli defence contractor, Rafael. Both joint ventures will help the company address different parts of the defence opportunity. Mahindra makes everything from naval systems to mine-protected vehicles for paramilitary and police forces.

But there are several bumps on the road. The world of defence supplies is a murky one on a good day. India is the darling of many large, global defence firms, who earn heavily from its purchases. They would be happy to see it retain its position as the world's largest defence importer. That needs to change. "If we lose this opportunity, we may always be at the mercy of others", says Chowdhry ominously. ◆

Send your comments to editor.bt@intoday.com


Mahindra
Rise.
Mahindra Logistics
The core
of your business.
Logistics is the vital link to a company's success. Which is why, we provide fully integrated, technology-enabled solutions spanning domestic and international transportation, warehousing and various value added services. The bottomline - perfect end-to-end logistics solutions which keep your business growing.
Mahindra Logistics
Call 1800 258 6787
www.mahindralogistics.com

GEECL President Prashant Modi

INERT STATE

A policy flip-flop has halted the nascent coal bed methane industry in its tracks. By ANILESH S. MAHAJAN

For more on this story go to
www.businesstoday.in/coalbed-methane

Five years ago, Prashant Modi, President of Great Eastern Energy Corporation (GEECL), announced that his company had begun to extract coal bed methane (CBM) from its Raniganj (South) block in West Bengal. It was a small find, but a giant step forward in harnessing a source of energy that was hitherto untapped in India. Methane is the main energy source in natural gas and CBM is simply methane found in coal beds. Many countries have been using it for years to meet their energy needs. The Raniganj find promised to drive more such discoveries across India, and ultimately ease the country's energy burden. According to the Directorate General of Hydrocarbons, India is estimated to have around 4.6 trillion cubic meters (168 trillion cubic feet) of CBM reserves. One TCF of natural gas is enough to generate about 100 billion kilowatt hours of electricity. Suddenly, CBM was the next big thing for India's energy sector.

Cut to 2012, however, and the picture is dismal. Of 33 CBM blocks allocated, only one is producing gas. There have been discoveries in three others but commercial production has been delayed over pricing of the gas. The rest have either been relinquished because of technical and land acquisition issues or are awaiting clearance and are yet to commence exploration. As things stand, only 0.24 mmscmd (million metric standard cubic metres per day) of CBM is being produced today, from one block. One mmscmd can fire a 220 megawatt power plant for a day.

The abysmal output is not because there is no CBM to be found. Rather, it is the result of flip-flops in policy and delays in decision making. In India, gas is sold under two regimes: administered price mechanism (APM), where the price is fixed by the government, and free pricing, which includes gas produced within the country as well as imports of liquefied natural gas (LNG). In 2001, when it was formulated, India's CBM policy was praised for being forward-looking. In an effort to encourage exploration, operators were allowed to market the gas and fix its price. The idea clicked: many companies bid for and won CBM blocks.

A year after GEECL made its gas find in Raniganj, however, the first policy wrinkle appeared. The government, reacting to a tight energy situation, decided that a few priority sectors, including fertilisers and power, would get first right over domestically produced gas. Although it was still in place, the free pricing rule had been effectively rendered meaningless.

The heavily subsidised fertiliser sector best embodies the pricing fiasco. Currently, natural gas is supplied to the sector at $4.2 per unit under the APM regime. Buying CBM at a higher price would only increase the input cost of the fertiliser sector and push up the government's subsidy burden. "Why will a fertiliser company bid for more when it is already getting priority allocation from APM gas," asks one industry executive.

"If I sell the gas for more, the government will get a bigger share out of it. And there are buyers who are willing to pay more," says GEECL's Modi.

PHOTOGRAPHS BY SUBIR HALDAR

SILVER LINING THE ONLY BLOCKS WHERE CBM HAS BEEN DISCOVERED

BLOCK	OPERATOR	AREA (SQ KM)	CBM POTENTIAL*	STATUS
Raniganj South (WB)	GEECL	210	**56.6**	Began commercial sales in 2007
Raniganj East (WB)	Essar	500	**42.2**	Price formula submitted
Sohagpur West (MP)	RIL	500	**55.5**	Price formula submitted
Sohagpur East (MP)	RIL	495	**47.7**	Price formula submitted

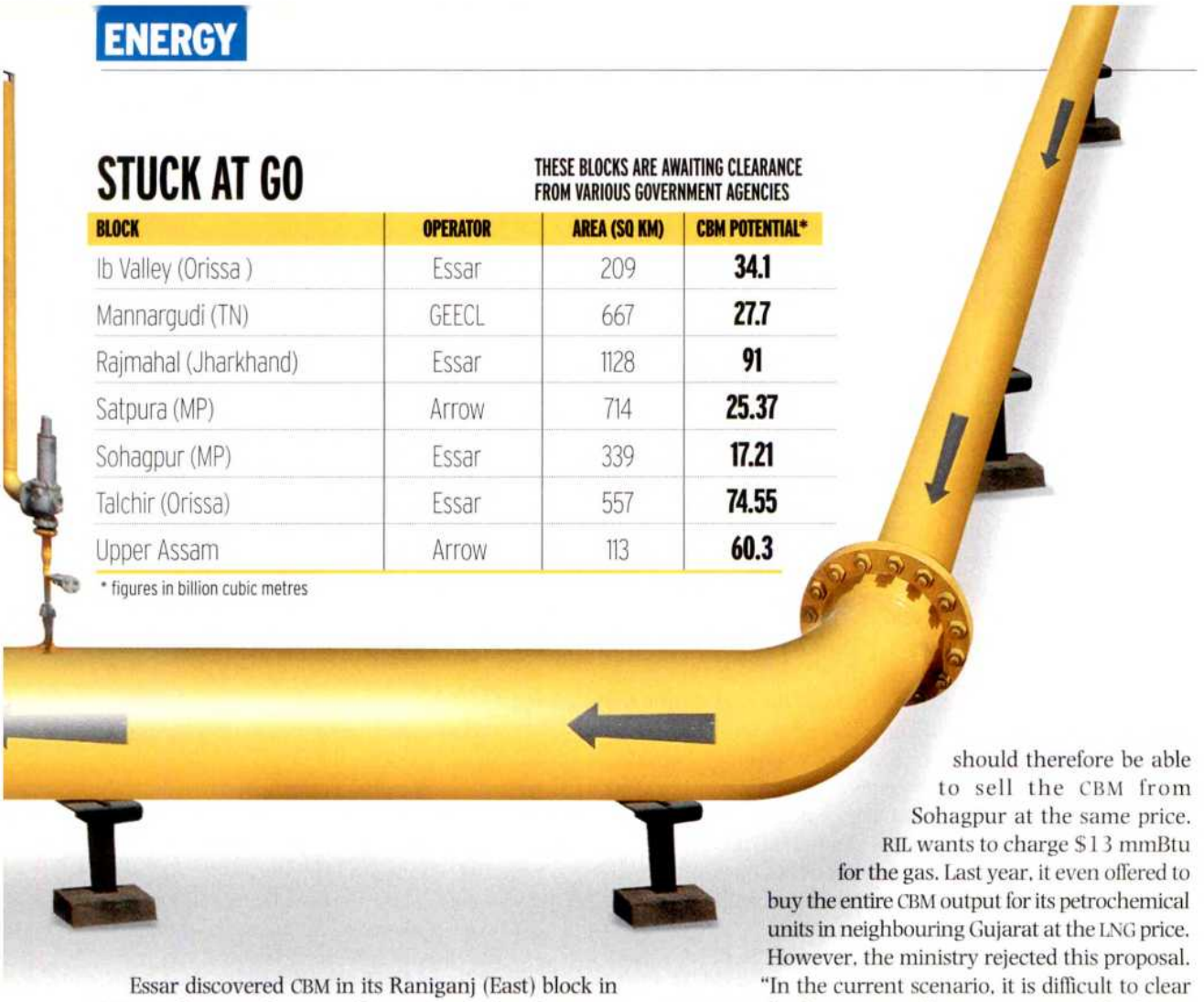
* figures in billion cubic metres

STUCK AT GO

THESE BLOCKS ARE AWAITING CLEARANCE FROM VARIOUS GOVERNMENT AGENCIES

BLOCK	OPERATOR	AREA (SQ KM)	CBM POTENTIAL*
Ib Valley (Orissa)	Essar	209	**34.1**
Mannargudi (TN)	GEECL	667	**27.7**
Rajmahal (Jharkhand)	Essar	1128	**91**
Satpura (MP)	Arrow	714	**25.37**
Sohagpur (MP)	Essar	339	**17.21**
Talchir (Orissa)	Essar	557	**74.55**
Upper Assam	Arrow	113	**60.3**

* figures in billion cubic metres



Essar discovered CBM in its Raniganj (East) block in 2011. Reliance Industries Ltd (RIL), too, made a discovery in its two blocks in Sohagpur, Madhya Pradesh, last year. Both operators are now awaiting clearance from the government, albeit on contrasting pricing applications.

In September last year, Essar asked the Ministry of Petroleum and Natural Gas to clear its pricing for its only CBM customer, Matix Fertilisers and Chemicals. Matix is promoted by Nishant Kanodia, son-in-law of Essar Group co-promoter Ravi Ruia. Essar wants to sell its CBM to Matix at $5.25 per mmBtu (million metric British thermal unit), of which $1 is for transportation. A similar quote also came from state-owned natural gas distributor, GAIL. Since Matix is a fertiliser company, there should have been no issue with the request. But Essar is yet to get clearance for its pricing. "A lower price would also reduce tax collection from the sale of gas," says an officer from the Petroleum Ministry, explaining the dilemma.

RIL, too, submitted a price formula for sale of the gas from its Sohagpur blocks in September 2011. It cited the $12-14 per mmBtu price at which state-owned Petronet LNG is importing liquefied gas from Qatar-based RasGas. The LNG is distributed though the Hazira-Vijapur-Jagdishpur pipeline, in approximately the same market that RIL is targeting. Company officials believe that the market has absorbed the $12-14 LNG price, and they should therefore be able to sell the CBM from Sohagpur at the same price. RIL wants to charge $13 mmBtu for the gas. Last year, it even offered to buy the entire CBM output for its petrochemical units in neighbouring Gujarat at the LNG price. However, the ministry rejected this proposal. "In the current scenario, it is difficult to clear two prices for the same gas," says a ministry official.

The CBM segment has also been hit by delays in decision making. In August 2010, a month after bagging two CBM blocks in a fresh round of auctions, Arrow Energy, an Australian gas explorer, was taken over by 50:50 joint venture of Shell and PetroChina. The company's international assets, including those in India, were hived off into DART Energy, a new entity. DART has sought to amend its production sharing contract to reflect the new name but is yet to get clearance. "We are inquiring into the shareholding pattern of the company," says a ministry official. The oil ministry wants to ensure there is no Chinese holding and the matter has now been referred to the Home Ministry, for verification by intelligence agencies. DART, meanwhile, has been unable to commence work.

The manner in which the government has tied itself in knots over the CBM policy is reminiscent of similar developments in microfinance and insurance. Initially, controls were loosened. Subsequently, some controls, which distorted the original policy, were introduced to deal with an immediate problem. Eventually, contradictory policies undermined the development of the market. The CBM industry is in danger of going the same way. ◆

Send your comments to editor.bt@intoday.com

A refreshing look at life after 40. Choose Varilux for sharper vision at all Distances.

Varilux brings you the life you always wanted, with 3-in-1 progressive lenses that let you see at all distances - **near, mid and far.** Developed with the Varilux **Live Optics** R & D innovation process, these lenses are tested on spectacle wearers in real life situations. Thus, breakthrough progressive lenses are created with no dividing lines to obstruct vision. You get the best visual experience to suit your new lifestyle. So look good and see better, with Varilux.

VARILUX® only from essilor

World No. 1 in spectacle lenses

VARILUX LENSES ARE NOW INSURED*

Approved by Wearers

Test conducted in accordance with an endorsed protocol by the Institut de la Vision

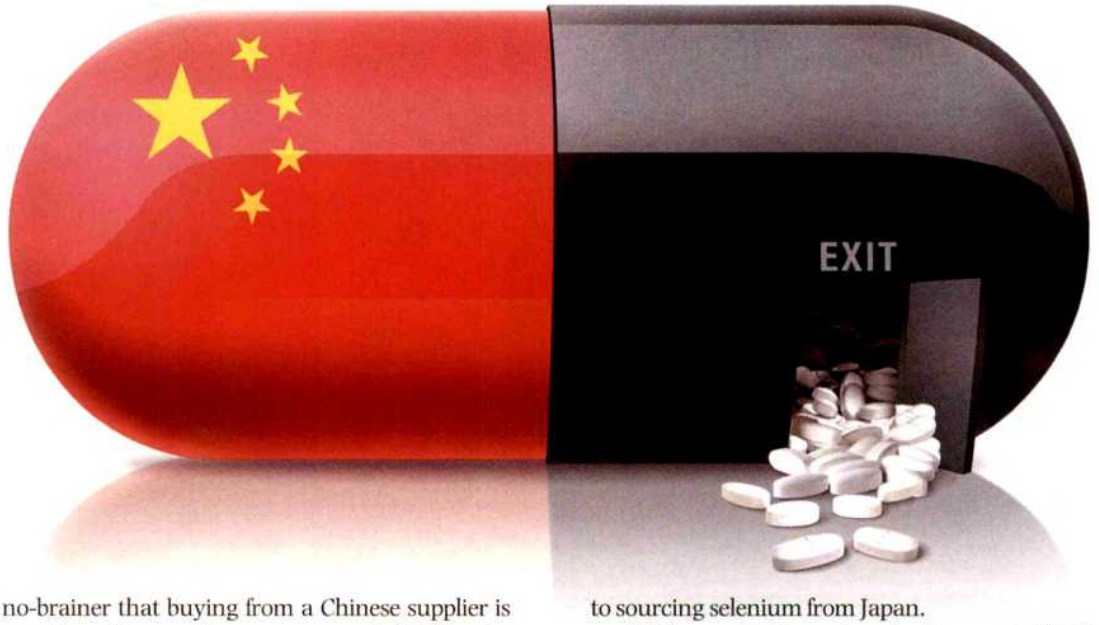
Visit your optician for more details.
And ask for your Varilux Authenticity Card.

Call toll-free 1800 425 8383
or visit **www.varilux.co.in**

*Terms and conditions apply

EXIT THE DRAGON

Indian drug makers are trying to shake off their dependence on China. By GEETANJALI SHUKLA



SANTOSH

It's a no-brainer that buying from a Chinese supplier is cheaper than from a Japanese one, right? Pravin Herlekar, Chairman of Omkar Speciality Chemicals, a ₹100-crore bulk drug maker based in Badlapur, near Mumbai, learned the hard way that it is not always true. His company dumped its Japanese supplier of selenium when it found a cheaper source in China. But, Herlekar says, the Chinese suppliers resisted inspection of shipments before delivery. Within a few months, the intermediates that Omkar made using Chinese selenium began to suffer from quality issues. The company went back to sourcing selenium from Japan.

"Chinese suppliers often don't agree to third party inspections which help keep a check on quality," says Herlekar. Selenium derivatives are used to make an active pharmaceutical ingredient (API) or bulk drug. Bulk drugs are used to make medicines. For instance, intermediate compounds such as isobutyl benzene, aluminium chloride and sodium dichromate are used to make ibuprofen, the principal ingredient in formulation brands such as Combiflam.

Lower prices offered by Chinese companies have

caught the attention of many Indian drug makers. "In the last five years, API imports by Indian companies have doubled. In 2010/11, imports crossed $7 billion, of which China has a 60 per cent share," says O.R.S. Rao, Director, Cygnus Business Consulting and Research. "In the same period, India's bulk drug production has fallen to 35 per cent of its consumption, from about 70 per cent." The Hyderabad-based research firm releases a study on the Indian bulk drug industry every two years; the last edition was published in 2011. The Indian bulk drug market is valued at $13.5 billion, and its Chinese counterpart at $30 billion.

China and India are the leading players in bulk drugs, accounting for more than 40 per cent of global bulk drug production. China is the largest bulk drug supplier, and India is second. Part of China's competitive advantage comes from the operating environment (lower interest rates, access to power and other infrastructure) and government aid (cheaper land, government funding). This has enabled Chinese manufacturers to benefit from economies of scale. China is also better endowed with raw materials such as phosphorous, potassium and sulphur. So it can produce bulk drugs at 10 per cent of the cost in developed countries.

Given their strong advantages, Chinese companies have been flexing their muscles by not allowing inspections, neglecting quality issues and raising prices. And Indian pharma seems to have finally decided that it needs to stop depending on China. Some Indian companies are integrating their operations backward to increase control over bulk drugs and intermediates. And, as price increases by Chinese manufacturers squeeze margins, Indian companies are trying to move up the value chain into the high-margin formulations business.

Dependence on China has generated enough concerns for the Indian Drug Manufacturers' Association (IDMA) to call for anti-dumping duties on some bulk drugs and intermediates from China. IDMA also wants the government to set up a $700-million fund for bulk drug manufacturers. "Low-priced Chinese APIs are attractive, but this phenomenon can only be temporary," says Manish Doshi, President, IDMA. "Nothing can stop them from raising prices once they know that Indian API manufacturers have closed down due to cut-throat competition. It is the government's duty to protect the industry from such dumping tactics by China." Doshi is also Managing Director at Amoli Organics and Umedica Laboratories, companies which were set up by his father and which make intermediates, bulk drugs and finished drugs.

Naresh Gupta, who heads Lupin Laboratories's bulk drug unit, also argues that the government should try to level the playing field for Indian manufacturers. Incidentally, Lupin is the only Indian pharma major that exports bulk drugs to China.

Omkar Speciality Chemicals isn't waiting for the government act, however. Its strategy is to meet international standards. Its Badlapur factory has good manufacturing practices (GMP) status from the US Food and Drugs Administration. Regulatory authorities in many countries grant GMP status, but the most important for Indian companies are the US and British authorities, besides Indian regulators. Omkar will also seek GMP status for its factory coming up in Chiplun, Maharashtra. Herlekar says his advantage will be quality. "Indian formulations majors are increasingly sourcing from India, as they don't have to maintain large stocks and quality can be controlled," he says. "Most Indian API and intermediates manufacturers get their facilities audited by their customers, so quality isn't much of an issue."

Another strategy is backward integration. Shasun Chemicals and Drugs, a Chennai-based ₹1,000-crore company, has decided to manufacture some intermediates at its Andhra Pradesh plant, rather than importing them

> With strong advantages such as economies of scale and government funding, Chinese companies have been flexing their muscles by resisting inspections, neglecting quality issues and raising prices. Many Indian companies are finding or creating alternatives to Chinese suppliers

"In 2010/11, bulk drug imports by Indian companies crossed $7 billion, of which China has a 60 per cent share"

O.R.S. RAO, Director, Cygnus Business Consulting and Research

from China. Managing Director S. Abhaya Kumar says: "We have earmarked ₹70 crore to move production of some of our key intermediates to India. The shift should be complete by December." He adds that intermediate prices in China have increased by 10 per cent in the last three months, because of rising petroleum prices and pressure on China to adhere to environmental norms. Shasun is the largest producer of ibuprofen in the world. It is developing 13 APIs for a few billion-dollar drugs whose patents expire in the next five years.

Another way to integrate backward is to acquire a bulk drug maker. For example, Mumbai-based Aanjaneya Lifecare bought intermediates manufacturer Apex Drugs in February for ₹250 crore. The aim is to reduce dependence on third parties and reduce its vulnerability to fluctuations in price and supply. Similarly, Indoco Remedies, also based in Mumbai, acquired bulk drug maker La Nova Chem in 2006. The contribution of bulk drugs to overall revenues is negligible, but Indoco plans capital expenditure of ₹55 crore over the next couple of years in its bulk drug factory at Patalganga, near Mumbai.

To counter the Chinese, big Indian drug makers such as Dr. Reddy's, Ranbaxy and Lupin have been moving up the value chain, from intermediates and bulk drugs to generics. But not everyone finds it easy to walk away from China.

"Only intermediates that have an impact on the quality of the finished product are manufactured in India or in-house," says Sanjay Bhanushali, Head of International Business at Cipla. Procurement from China has increased five to eight per cent every year for the last three years." Cipla is looking at stronger alliances with other Indian or overseas companies to avoid sudden shocks. It is also open to dealing with companies in other markets, such as Brazil, Argentina, and Vietnam.

Lupin's Gupta says his company's Japanese operations are looking to shift all bulk drug manufacturing to India. "Despite price volatility in some inputs, the company was able to insulate itself due to hedging," he adds.

Quality and research differentiate India from China. India has more than 175 plants approved by the US FDA – the highest number outside the US. Focus on quality has helped Indian companies increase their presence in developed markets. According to a report published in April by HSBC Global Research, half the Drug Master Files (DMF) in the first three months of this year are from Indian companies, compared to China's share of 14 per cent. DMF documents contain complete information about a drug's chemistry and manufacturing process, among other things, and enable a company to protect its intellectual property.

Many medium-sized bulk drug manufacturers have, with investments in research and development, shifted focus to late-stage intermediates and complex synthetic APIs. Chandigarh-based Parabolic Drugs, a ₹900-crore company, recently commissioned a facility to manufacture bulk drugs in new therapy areas such as oncology and lifestyle ailments such as diabetes. The facility is likely to generate revenues of ₹50 crore to ₹75 crore in the current financial year and when fully operational, can generate up to ₹300 crore.

But in the near future, it looks as if Chinese companies will continue to bleed Indian bulk drug makers. The capital-intensive nature of operations and extended working capital cycles have suppressed their return on capital. "Many bulk drug manufacturers are struggling financially," says Ajit Mahadevan, Partner – Life Sciences, Ernst & Young. "A lot of them are looking for funds and finding it difficult to manage them in these times." It may be a while before they are strong enough to fend off the dragon. ◆

INDIA'S STRENGTHS

Focus on late-stage intermediates and complex bulk drugs

Move towards new therapy areas such as oncology, lifestyle disorders and finished dosages

Highest number of US FDA-approved facilities outside of the US

50% share in Drug Master Files between Jan and March 2012

CHINA'S STRENGTHS

Cost leadership

Large-scale manufacturing facilities in bulk drugs for antibiotics and vitamins

Strong technological capabilities in fermentation

Extensive presence in intermediates

Send your comments to
editor.bt@intoday.com

Experience aloft hotels in India

Featuring an always happening *w xyz*SM *bar*, fast + free WiFi and more.

aloft SM
A VISION OF W HOTELS

NOW OPEN:
Chennai OMR – IT Expressway
Bengaluru Whitefield, Coimbatore Singanallur

Opening soon in 2012:
Chandigarh Zirakpur
Ahmedabad, SG Road

alofthotels.com
Toll free: 1800 258 2555

spg Starwood Preferred Guest

LE MERIDIEN · aloft · FOUR POINTS · WESTIN · THE LUXURY COLLECTION · W HOTELS · Sheraton · ST REGIS · element

THE POWER

Websites specialising in a single

ADITYA KAPOOR/www.indiatodayimages.com

Sweet spot found: Shailen Amin of bestylish.com with his products

OF ONE

product are gaining traction. By NANDAGOPAL RAJAN

Some months ago, Sumita Rajput, a Gurgaon-based communications professional, was looking for casual shoes of a particular design. She could not find a pair in any of the shops she visited. Then a friend suggested she try bestylish.com, an online retail outlet devoted exclusively to shoes. Sure enough, what she sought was available. She made a second purchase soon after. "Not only do I get shoes cheaper, I also save time and effort by shopping online," she says.

The online retail market in India is currently at around ₹2,000 crore, according to an estimate by the Associated Chambers of Commerce and Industry in India (Assocham). No doubt, the best known online retailers are those such as flipkart.com and Yebhi.com, which, starting with a single product – flipkart with books, yebhi with shoes – have gone on to add many more items to their repertoire. But there are also those which have stuck to a single product line, while offering greater range and depth in that product than the general retailers do.

Babeezworld.com and firstcry.com, for instance, both specialise in baby products. Zivame.com provides just lingerie, healthkart.com offers a variety of health-related products from special foods to adult diapers. Gkboptical.com sells eyewear. "No point in confusing the consumer by offering a range of products," says Shailen Amin, CEO of bestylish.com. "I would rather focus on what we are good at."

He outlines the disadvantages of trying to please all. "More product segments mean more people for analysis, for deciding the inventory, and more space needed to stock the stuff," he adds. "There is even a fight for products to feature on the website's main page." Again, niche retailing provides an opportunity for personalised service. "When a woman buys diapers, we know she has an infant and is likely to need more," says Amurto Basuray, MD of Olive Tree Retail Ltd, which runs babeezworld. "Most times we contact her before she places her next order. We know when she will need a bigger size for her growing baby, and make suggestions accordingly."

Niche players have two kinds of clientele. "In the cities, they provide convenience and value, while in the small towns they provide availability," says Raghav Gupta, Principal at investment firm Booz and Co. Increasingly, a substantial part of these websites' patrons come from Tier-II and Tier-III cities, where many now have the purchasing power to afford the best, but often cannot find shops in their area selling premium products and brands. "We see a lot of high value electronic items being bought from smaller cities," says Arindam Bose, MD and Chief Customer Officer, timtara. Amin of bestylish says half his orders come from the smaller cities. As for items like lingerie, many small town folk prefer buying online rather than at a store. "The social discomfort associated with buying lingerie magnifies as you go to smaller towns," says Richa Kar, co-founder and CEO of Zivame. "Our growth in the smaller towns has been phenomenal."

Other niche website owners echo her optimism. "Initially we had many people returning shoes, but now the rate is down to 10 per cent, and

Highly Focused

Leading Indian single-product retailing websites

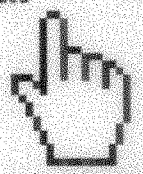
NAME: Bestylish.com
PRODUCT: Footwear
FOUNDERS: Shailen Amin, Abhishek Lal & VSSK Prasad
INVESTORS: Mangrove Capital & SpringStar

NAME: Firstcry.com
PRODUCT: Babycare items
FOUNDERS: Supam Maheshwari & Amitava Saha
INVESTORS: SAIF Partners & IDG Ventures

NAME: Healthkart.com
PRODUCT: Health and personal care items
FOUNDERS: Prashant Tandon & Sameer Maheshwari
INVESTORS: Sequoia Capital, Omidyar Network & Kay Capital

NAME: Zivame.com
PRODUCT: Lingerie
FOUNDERS: Kapil Karekar & Richa Kar
INVESTORS: IDG Ventures & Indo-US Venture Partners

NAME: Gkboptical.com
PRODUCT: Eyecare products
FOUNDER: Dhruv Gupta
INVESTOR: Self-funded



Hurdles

The main difficulties e-tailing companies face in attracting customers

30%
Research online but buy offline

20%
Find delivery costs too high

25%
Do not want to share personal financial information online

15%
Fear quality of products delivered could be poor

10%
Do not have a credit/debit card

Source: Assocham Social Development Foundation Survey

falling," says Amin of bestylish. "That is because we have ensured all measures are standard, which was not easy given the large number of private labels." Again, despite entering near-virgin territory – hardly anyone had sold spectacles online before – gkboptical expects revenues of around ₹10 crore in its first year. "The experience is similar to that in a store," says Dhruv Gupta, its CEO. "You select your frame and provide your prescription; the lenses are manufactured and your spectacles sent to you."

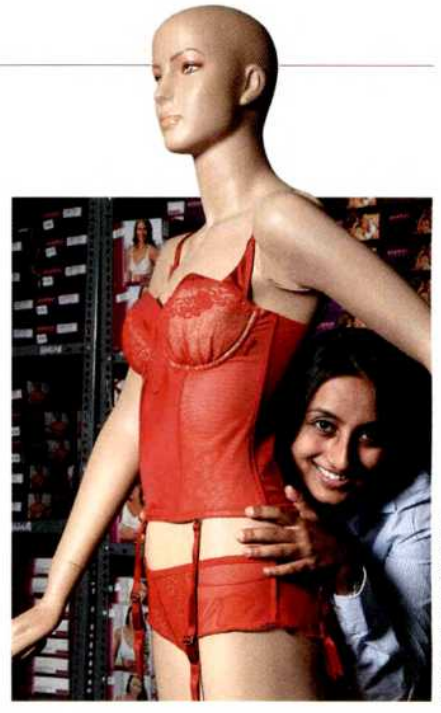
But how profitable are these specialised sites? Most of them started less than two years ago – firstcry in December 2010, zivame in August 2011, babeezworld in October 2011 – and their founders are reluctant to discuss bottom lines in detail. Bose says timtara's monthly sales are around ₹4 to 5 crore, Kar says zivame clocked 300,000 users in its first six months. "It is too early to look at profitability," says Gupta of Booz. "What is important is to see if they are generating revenue and if the revenue is growing."

Low Internet penetration is the biggest hurdle: while in Britain, 10 per cent of all shopping is done online, and in the US four per cent, in India the corresponding figure is only 0.5 per cent. Acquiring new customers takes a considerable amount of money and effort (see *Hurdles*). "The cash burn for most of the new websites is very high," says Basuray of babeezworld. "We'll have to wait and see how many are able to sustain."

The flip side of low penetration, of course, is that there is plenty of room for growth. The Assocham study predicts online retail in India will rise to ₹7,000 crore by 2015. "Currently very few people in India are buying online and hence the market remains to be tapped," says Akhilesh Tuteja, Partner and Head of IT Advisory at KPMG. "Online commerce is a good investment option."

Not surprisingly, venture capitalist firms are upbeat: already, Mangrove Capital and SpringStar have invested in bestylish, IDG Ventures and Indo-US Venture Partners in zivame, Sequoia Capital, Omidyar Network and Kay Capital in healthkart, SAIF Partners and IDG Ventures in firstcry. "The bullish view of the venture industry is driven by the optimism that Indian consumers will adopt online as a preferred route for shopping products," says Ankur Bisen, Associate Director, Retail, Technopak Advisors. Booz's Gupta agrees: "As more shoppers get used to a particular website, the number of repeat customers will grow. Customer acquisition costs will fall."

In their bid to achieve scale, niche websites are moving in two different directions. "Firstcry was so successful that we have launched another specialised website – Goodlife.com for personal care products," says Amitava Saha, its co-founder. On the other hand, timtara has followed the flipkart path, moving from one item to several: it now also sells lifestyle and personal care items. "Initially, we focused only on electronics, but after market research and customer feedback we introduced other categories too," says Bose, its MD. ◆



DEEPAK G. PAWAR

"The social discomfort associated with buying lingerie magnifies as you go to smaller towns"

Richa Kar, Co-founder & CEO, Zivame

Send your comments to editor.bt@intoday.com

Is there something missing in your

secur ty solut ons?

Upgrade to intelligent security solutions from Godrej.

Often, what you think is complete security is just not enough to prevent trouble. What you need is intelligent security solutions that'll take care of all your security needs. Godrej is your trusted comprehensive security solutions provider that assures you of complete safety. What's more, you are assured of hassle-free operations through our AMC. So call today and enjoy a secure tomorrow.
Be Intelligent. Be Safe.

DOOR FRAME METAL DETECTOR

ROAD BLOCKER

CCTV

BAGGAGE SCANNER

ACCESS CONTROL SYSTEM

Monitoring and Surveillance Solutions

Perimeter Intrusion Detection Systems

Access And Entrance Control Solutions

Scanning and Screening Solutions

Fire And Alarm Detection Solutions

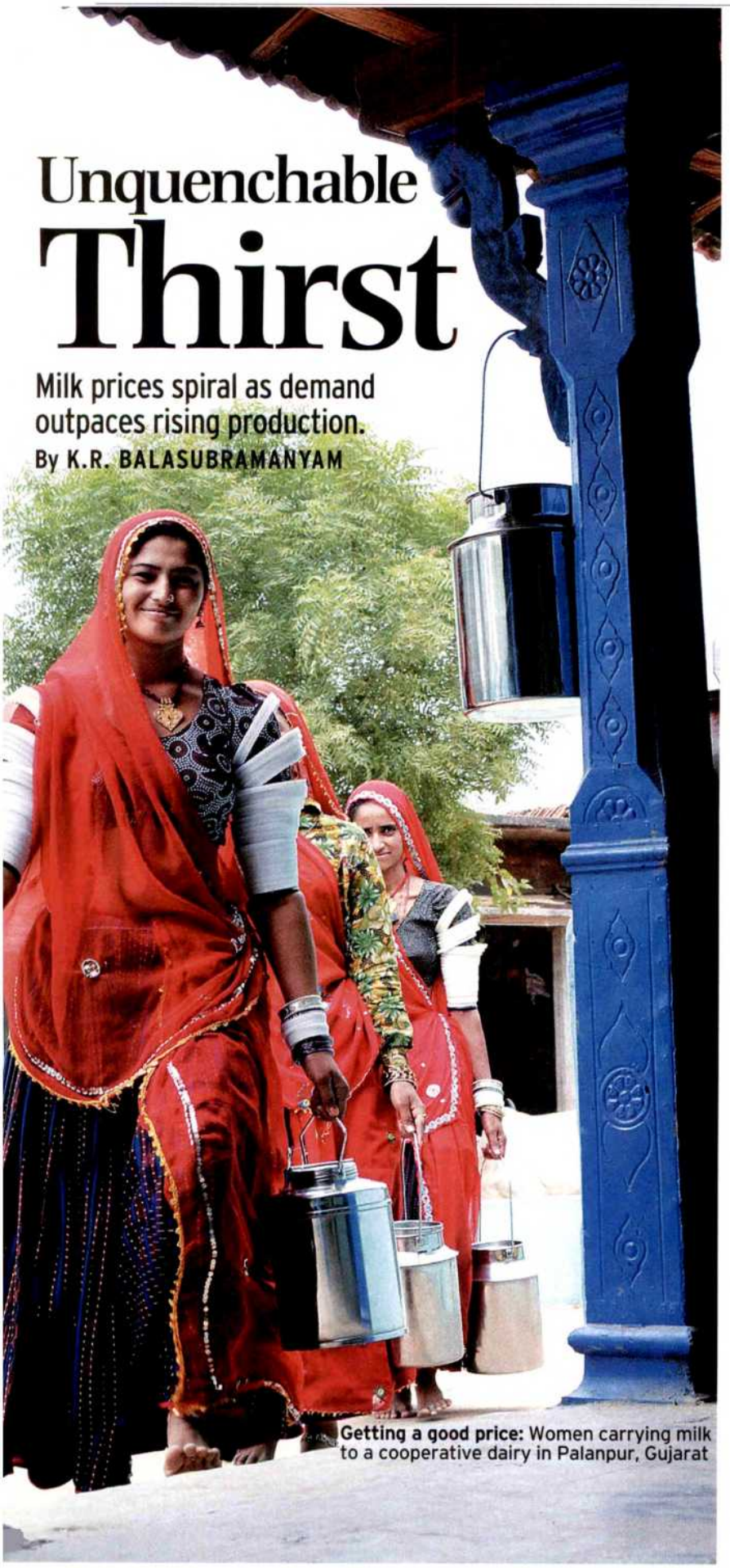
Godrej | SECURITY SOLUTIONS

Godrej & Boyce Mfg. Co. Ltd. Plant No 17, Pirojshanagar, Vikhroli (W) Mumbai – 400079
Toll-free: 1800 209 99 55 | SMS 'GSS' to 53636 | E-mail: secure@godrej.com | Visit: www.godrejsecure.com

Unquenchable Thirst

Milk prices spiral as demand outpaces rising production.

By K.R. BALASUBRAMANYAM



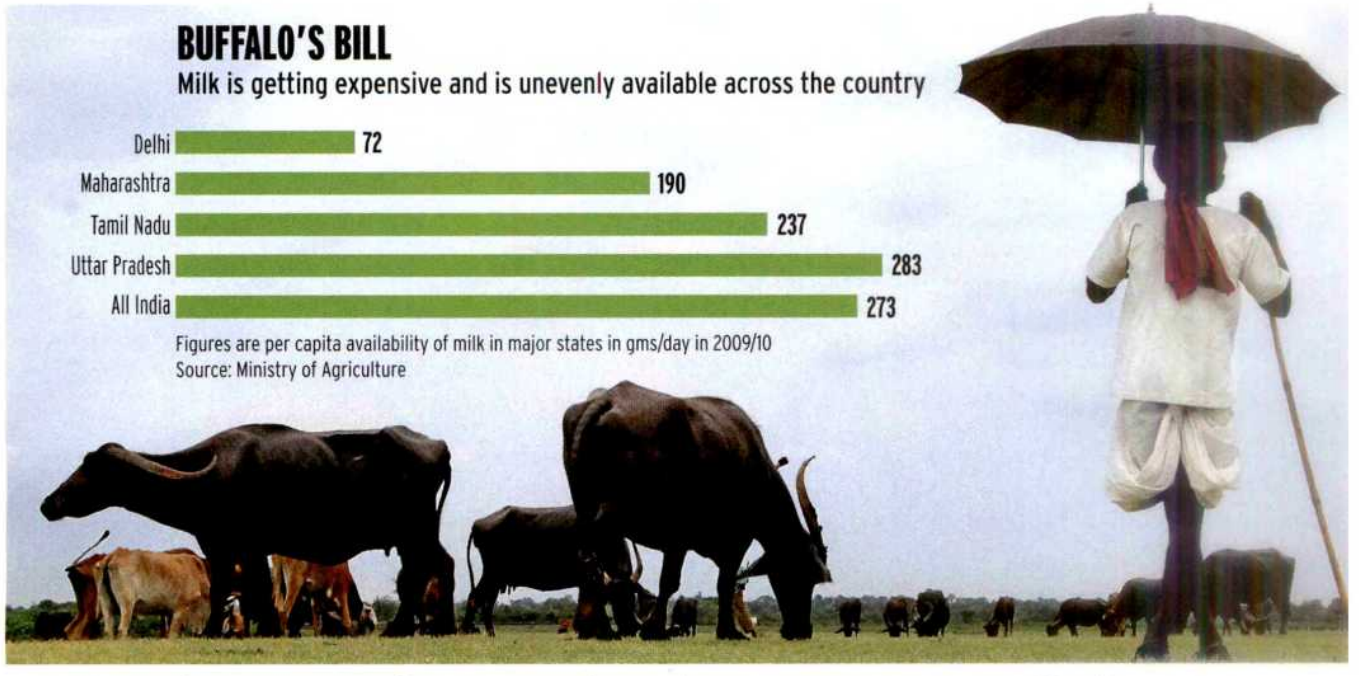
Getting a good price: Women carrying milk to a cooperative dairy in Palanpur, Gujarat

The prices of milk and milk products rose 15.3 per cent in 2011/12 – the biggest contributors to the persistent food inflation. But this is not because milk production is falling, quite the contrary. Production is rising, but the thirst for milk is rising even faster. People are drinking more milk than ever before and, of course, every year there are more people.

"There is a shift taking place in dietary habits," says Amrita Patel, Chairperson of the National Dairy Development Board (NDDB). "People are eating fewer cereals and consuming more milk than before as a result of rising incomes in the rural areas and a growing middle class."

A year ago, the milk cooperative at Kadenahalli village of Kolar district in Karnataka had 1,100 litres of milk delivered to it daily. Now it gets 1,200 litres. The scene is much the same across the country, with production rising to 122 million tonnes in 2010/2011 from 116 million tonnes the year before. The NDDB estimates that demand will grow to 155 million tonnes by 2016 and 210 million tonnes by 2022.

To meet this burgeoning demand, milk production will have to grow at 4.2 per cent a year, instead of 3.5 per cent at present. It is the NDDB which, under the ₹17,300 crore, 15-year National Dairy Plan (NDP), has been entrusted with the task of making this happen. "This will be a challenge because all these years the growth came on a low base," says Patel. "But it is not unachievable." She has already kicked off the first phase of the plan, involving an expenditure of ₹2,242 crore across 14 states which account for 90 per cent of India's milk production. It aims at increasing the productivity of milch animals and helping farmers get greater access to the organised milk processing sector.



"People are eating fewer cereals and consuming more milk than before as a result of rising incomes"

Amrita Patel, Chairperson, National Dairy Development Board

The cost of failing to meet the ambitious targets will be high: India will have no option but to import which, in turn, experts warn, will further raise milk prices.

To try and check milk prices, exports of milk powder and casein – a protein extract from milk – have already been banned since February last year. Both private dairy firms and Agriculture Minister Sharad Pawar have protested the ban but the Commerce Ministry has remained unmoved. Pawar, who even wrote to Prime Minister Manmohan Singh in protest, maintains the ban hurts dairy farmers' interests, while private firms have grumbled about the loss of export opportunities. Even those firms unwilling to openly oppose the ban have pleaded for consistency in export policy. "Some sense of certainty in the export policy would help us," says Nara Lokesh, Executive Director of the Hyderabad-based private player Heritage Foods. "A road map on the ban would help us calibrate our marketing strategy."

The private dairies are also disappointed to find the NDP has no role for them, despite the private sector being in the vanguard of the surge in milk production. Private milk companies had a processing capacity of 57.1 million litres against 37.2 million litres by milk cooperatives in March 2010, the latest figures available. Processing capacity is vital, since this is what enables the preservation of milk for long periods, which alone can ensure a steady supply through the year, including the lean months. "The private sector has performed substantially better than the cooperatives," says R.G. Chandramogan, Chairman and Managing Director of Hatsun Agro, a leading Chennai-based milk producer. "Yet the government ignores us while making policies."

While acknowledging the private sector's role in increasing milk production, the NDDB points out the NDP uses government funding and thus cannot involve the private sector in any way. "If animal productivity increases as targeted, it will help private sector too as the farmer will sell his produce to whoever offers him the best price," says Patel. ◆

Harvard Business Review

www.hbr.org

Zoom In, Zoom Out

The best leaders know when to focus in and when to pull back.

By ROSABETH MOSS KANTER

After an explosion on a BP oil platform in the Gulf of Mexico in April 2010 killed 11 people and caused the biggest oil spill in US history, the company's CEO at the time, Tony Hayward, zoomed in on the implications for his career. He appeared preoccupied with the incident's impact on BP's management and, particularly, on himself. About a week after the explosion, Hayward was quoted as saying to executives in his London office, "What the hell did we do to deserve this?" Despite PR coaching, a month later he told reporters, "I'd like my life back."

Hayward, who was forced to resign in July, had numerous opportunities to acknowledge the bigger picture: the human devastation and public consternation in the Gulf region. But even though BP deployed thousands of engineers to contain the spill, he could not, in public, rise above a 10-foot view; it was as though the crisis were his own personal devil. Hayward repeatedly focused on the small picture – trying, for example, to shift the blame

to supplier Transocean, which had run the rig that exploded. His zoom button seemed to be stuck on the closest setting.

The lens through which leaders view the world can help or hinder their ability to make good strategic decisions, especially during crises. Zoom in, and get a close look at select details – perhaps too close to make sense of them. Zoom out, and see the big picture – but perhaps miss some subtleties and nuances.

Zoom buttons on digital devices let us examine images from many viewpoints. They also provide an apt metaphor for modes of strategic thinking. Some people prefer to see things up close, others from afar. Both perspectives – worm's-eye and bird's-eye – have virtues and pathologies. But they should be vantage points, not fixed positions. Leaders need multiple perspectives to get a complete picture. Effective leaders zoom in and zoom out.

I've come to this conclusion after more than 25 years of observing how leaders set strategic direction, interact with constituencies, and respond to unexpected events. I've worked with thousands of executives and conducted systematic studies of innovation, alliances, change, and transformation in hundreds of organisations. I've seen how organisational structures, processes, and cultures can direct the gaze of leaders close in or far out, and how levels of analysis can become default positions that limit effectiveness.

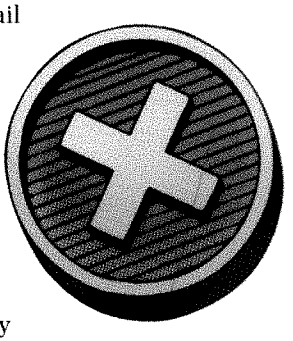
The zoom framework offers a dynamic model that can help current and aspiring leaders increase their own range of vision and establish conditions that enable others' success. In this article, I will identify the behaviour and decision modes associated with zooming in and contrast them with those for zooming out. I'll consider the structures and cultures that trap people in dysfunctional default positions, and I'll conclude with ideas on developing capabilities for zooming to all levels.

Zooming In

Zooming in brings the details into sharp focus. Any opportunities look large and compelling, though they may lack some context.

A CEO I will call 'John Jones' – who owns a midsize retail chain started by his father – works primarily in close-in mode. A classic entrepreneur who combines hustle with retail-is-detail know-how, Jones expanded the chain successfully from two to 30 locations by continually seeking the next prime site, merchandise item, or website tip. His discoveries came mostly through his personal connections rather than analysis. Jones disdained strategic plans and management theories. He removed a well-regarded banker from his advisory board, for instance, because the banker would ask for plans – orderly goals, with timelines – when Jones simply wanted to concentrate on specific operational ideas that were easy to implement.

Thanks to his industry knowledge, wide personal network, and intuition, zooming in served Jones well for a decade. But when the economy soured, his good instincts felt insufficient. Family members and key employees began to question his decisions. Jones had no succession plan – nobody had been groomed for the future. He made acquisitions on the basis of his own taste or just because an owner wanted to sell, and gave little thought to cost, whether the acquisition was a good fit, or what else was on the horizon. He had no broad



ARE YOU STUCK IN A PERSPECTIVE THAT'S Too Close In?

TELLTALE SIGNS	QUESTIONS THAT WILL HELP YOU ZOOM OUT
You get overwhelmed by countless details	What is the context? What matters most?
You take things personally, finding the 'me' angle first	What larger purpose is being served? What is at stake for others?
You trade favours, hoping others will 'do it for me'	Why is the task or mission worthy of support?
You make exceptions or special deals based on particular circumstances	Will the circumstances recur? What policies or decision frameworks could be used?
You jump on any good-looking offer that pops up	Does this fit the goal or destination? What else might be on the horizon?
You treat every situation as unique	Are there other similar situations? What categories or groupings make sense?

theory about which opportunities to pursue and no industry map. Zooming in was limiting his company's growth prospects.

Close-in managers look for immediate benefits and make ad hoc decisions. They often favour one-on-one conversations over group meetings. They want to address details by doing whatever occurs to them. Faced with a problem, they look for quick fixes rather than stand back to seek underlying causes, alternatives, or long-term solutions. They prefer to contact someone they know rather than search more widely for expertise. These tendencies are exacerbated in organisations that restrict information flow, reward quick hits, and confine people to their roles.

Zooming out helps people see the map and stay focused on larger principles. But it also has traps

A close-in perspective is often found in relationship-intensive settings, where human talent is the primary asset. Consider another executive, whom I'll call 'Sam Lee'. He ran a well-regarded professional services firm during a decade of incremental growth. Known as a benign leader, Lee could talk about strategies with external constituents, but he operated best when zooming in. He liked to confer in a clublike huddle in his office rather than discuss issues in open meetings. He was unfailingly helpful with individual requests (including one-off favours). In other words, he liked to make exceptions instead of policies. As a result, his organisation had an abundance of private deals with individual staff members (such as off-calendar budget allocations, vacation privileges, sabbaticals, and extended family leaves).

In a time of prosperity with few external threats, a personal approach may be acceptable. Towards the end of Lee's tenure, however, the firm found itself in an increasingly competitive environment with greater regulatory pressure. It was becoming untenable to treat each situation as unique. Even as policy exceptions accumulated, the logic behind these decisions remained unaddressed. Junior professionals were left to wonder and worry about the rules and fairness. Whispered concerns about favouritism ran through the corridors. The organisation was running on a patronage system of personal credits and debits, with a market for favours substituting for principle-based decision making. Morale and productivity declined, jeopardising the company's reputation and making it harder to attract the best talent. When Lee retired, his successor immediately zoomed out, stating a few broad strategic priorities. He created clear formal policies to replace informal exceptions and began discussing them all openly in large meetings.

One of the traps of zooming in is that policies and systems are based on internal politics. Close-in people tend to talk about their personal lives, as though self-disclosure will beget the same from others, turning organisational actions into an exchange of favours based on special relationships. They often resist change because it disrupts the social equilibrium. Sometimes their personal approach is valuable, because people respond faster to individuals they know than to abstract appeals. But 'do it for me' is a weak basis for corporate decisions. It also means that employees cannot easily stand in for one another, because relationships are 'owned' by specific people. And it can put ego above institution.

Relying heavily on personal instinct and interpersonal deals without a wider perspective or a long-term rationale can prove perilous. An overly personal approach can also make managers quick to perceive slights, whether or not they're real. The CEO of one technology company, though known as a great strategist, still let zooming in drive some decisions. He was personally offended by how a prominent magazine had portrayed him, so the company stopped advertising there. Employees took this as a warning to tread carefully when providing him with unfavourable information. In another case, a corporate middle manager pored over e-mails to see whether he was being treated appropriately, and complained immediately if he perceived any suggestion of offense. His focus on status over substance cost him a higher-paying position; the plum promotion went instead to a manager with a grasp of the bigger picture.

Zooming in can obscure the big picture, leading managers to overlook important issues. Decisions become based on who you are and whom you know, not on broader goals.

Zooming in can also lead to turf protection. When managers use territorial language, it reveals that they have fallen into this trap. One division CFO, for instance, always used the first person when referring to budget numbers, as in "I have x dollars," even though it was the or-

ADVERTORIAL

GOLFFORESTE - "MAKE A STATEMENT LIVING"

Amidst Lush Greenery & Luxury Redefined Amenities

In today's changing lifestyle, people constantly looking for something new. With exposure to the best of facilities around the world and due to the growing aspirations people now wish to have the same world lass facilities and amenities in their abode to maintain a certain festyle and standard of living. The concepts of theme projects are ecoming a trend now a day's. It's like creating a lifestyle statement ith different recreational facilities and the buyers love the every spect of it.

magine your villa with a forest view and a golf course amid nature with uxury in abundance, what more you can ask for. Golfforeste promises ou all this and ready to rejuvenate your senses. Paramount Group's atest offerings of Golfforeste project has revolutioned the luxurious ving concept for the people of Delhi NCR. Artistically designed, olfforeste is an epitome of modern luxurious and comfortable festyle.

pread over in an area of 100 acre (approx), strategically located on a 30 meter wide and near 6-lane FNG Expressway, the project is a next tep of evolution, with a unique combination of Golf Course, forest and lub like never before to enhance the living experience of the esidents.

ne of the luxuries of this project includes the exceptional view of the reens. The Master plan of Golfforeste is done by world famous firm urbana International - known for developing Singapore as a global nodel of public housing. The landscape of Golfforeste is done by Sameer Mathur, famous for designing world best rated Ananda Himalyian Health Resort in India and abroad including Palm Jumera in Dubai.

Actual club picture

It comprises of different sizes of villas with an area of 1450 sq. ft. to 3008 sq.ft. and price ranging from 58 Lakh to 1.35 crore. The main dvantage is that each villa is facing either the Golf Course or the forest o provide relaxed living and ease amidst beautifully landscaped urroundings.

Making it more scenic and further enhancing the beauty is the 2300 sq.ft. lake surrounded by lush green forest environment wit recreational facilities.

Having three islands one of which is connected by a wooden cross ove bridge, boats can sail freely within the lake & under the bridge as wel There is a track for mini rail around the lake for kids. The scenic beau of lake is further beautified by fountain within the lake.

This area will provide excellent recreational facilities for all residen within the township where they can have a stroll early in the morning, la in the evening or picnic throughout the day. This lake shall also be use to recharge the ground water level through, two nos. rain wat harvesting pits attached to this beautiful lake.

The key highlight of the project is "par 3, 6 holes executive golf course" ideal for short game improvement that will have challenges of play from bunkers and undulating landscapes. The glamour of this course is that almost every villa owner in front of course shall feel the ownership of this course.

Golfforeste offers an advanced way of living for all.

The club house at Golfforeste is comparable to international standard All the other facilities including beach effect swimming pool, spa, saun the steam bath etc and it also has a beautiful restaurant in the cl house which is operational.

At Paramount Group quality of the project is not compromised at a cost or at any level whether it is in regards to man, material, machine, method. Paramount group makes sure that you get the best the wor has to offer.

PARAMOUNT
GROUP OF COMPANIES
Guided by tomorrow

Corporate Office:
H-123, Sector-63, Noida 201301 (U.P.)
Phone No : 0120 - 4613000, 4276381, 4276386
www.paramountgroup.co.in

ganisation's money, and ignored repeated requests from other members of the executive group to stop this manner of speaking.

Personalising is not the same thing as self-reflection – indeed, it might be the opposite. Self-reflection is a learning process that requires a distant perspective on one's own behaviour, in context. An obsession with self is reinforced by zooming in, but self-awareness stems from zooming out.

Zooming Out

Zooming out is essential to big-picture decision making. When people are far out, they can map the whole territory before taking action. They see events as examples of general patterns rather than as idiosyncratic or personal incidents. They put things in context and stress principles.

The former CEO of Garanti Bank, Akin Ongor, led it from a middle-of-the-road bank in Turkey to global prominence by setting up processes that replaced poor performers and upgraded talent. When his announcement of layoffs provoked union protests and even death threats, Ongor refused to take the attacks personally or get drawn into ad hominem battles. Instead, he went to the media and elevated the discussion to the principles behind the bank's actions. By zooming out, he helped his employees, the public, and government officials see the layoffs in the context of a transition in the economy and as a move that would save an important institution so that it could create more jobs in the future. The protests ended, and Ongor continued to lead successful change at the bank.

Zooming out helps people see the map and stay focused on larger principles. Consider Procter & Gamble CEO Robert McDonald, who rose through the ranks to head a global public company with a long-established culture. Even while seeking current profits, he constantly asks questions about what will support the sustainability of the company and keep its values intact. He can generalise about geographies and lines of business while appreciating cultural differences. He is personable but doesn't personalise issues, repeating often that he is a steward of an institution that must endure beyond him.

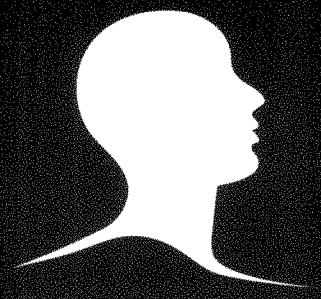
Zooming out is appropriate for top leaders. But it also has traps. For one thing, key stakeholders might want to see immediate results and know that the details are right before they support long-term big-picture thinking. That's why broad visions need to be matched by small wins that demonstrate feasibility. For another, leaders who like to be far out may operate so high above the fray that they don't see emerging threats and opportunities (which, ironically, is a danger for close-in leaders , too) or recognise competing theories that are better able to explain new developments. Having zoomed out to examine all possible routes, they can neglect to notice the moment for action on one promising path. When zooming out makes established highways look too good, leaders may fail to jump onto a side road to get around the traffic.

When the focus is on grand theory, novel situations are dismissed as too insignificant to merit attention. Leaders lose the sense that the big picture might be contingent on a set of circumstances that may well evolve. But sometimes a novelty is a signal, heralding embryonic change. The film *The Social Network* presents a fictionalised version of an iconic moment in which the Winklevoss brothers, feeling aggrieved that fellow student Mark Zuckerberg had created Facebook when he was supposedly working on their web

ARE YOU STUCK IN A PERSPECTIVE THAT'S Too Far Out?

TELLTALE SIGNS	QUESTIONS THAT WILL HELP YOU ZOOM IN
You dismiss deviations from plans or models as too minor to matter	Does the deviation challenge the model? How can the deviation be understood?
You veer away from dealing with specific problems in favour of focusing on general theory	What actions does your theory suggest for this particular problem?
You must have a full analysis or a big study before determining actions	Is there sufficient information to proceed in this instance? What are the costs of delay?
You always stay on major established paths	Are there side roads or shortcuts?
You pursue the mission regardless of human costs	How is this affecting the people who must carry out the mission?
You fit everything into a few general categories	What are the details that make things different? Which details matter?

www.aajtak.in/careawards



SOME DO IT AS AN OBLIGATION. SOME HAVE IT IN THEIR BLOOD.

An unforgettable award night coming soon to honour corporates that have CSR in their DNA.

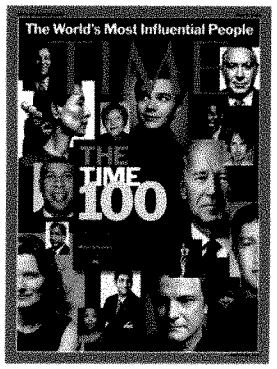
Aaj Tak Care Awards in association with Amrapali Group invites you to join us for an evening to honour corporates for their selfless contribution towards the nation.

AMRAPALI GROUP
An ISO 9001:2000 Company
Developing India

AMRAPALI GROUP
PRESENTS

आज तक
CARE AWARDS
HONOURING EXCELLENCE IN CSR

Research Partner: IMRB | Magazine Partner: business today | Print Partner: MAIL TODAY News for the new world | Outdoor Partner: PIONEER | Radio Partner: OYE | Knowledge Partner: FICCI



Save up to 57%* plus get the TIME Wheeled Carryon Set FREE!

TIME, the world's most respected weekly newsmagazine, is trusted by 23 million readers for its insightful and reliable reporting on global events, politics, business, finance, technology, education and more. TIME speaks authoritatively on important issues, interests and concerns in Asia and the world. In today's fast-paced environment, TIME provides a clear, concise and forward-looking take on the world, allowing you to make the most of your TIME.

Subscribe to TIME now and receive your FREE TIME Wheeled Carryon Set. The TIME Wheeled Carryon Set features 3 high performance travel bags designed to be used together or separately:

- a stylish wheeled traveler with telescoping handle
- a roomy briefcase with zippered front pocket
- a convenient toiletry bag

Best of all, this TIME Wheeled Carryon Set is yours absolutely FREE when you subscribe now!

Measurements:
Traveler – 29 x 20 x 43cm
Briefcase – 40 x 14 x 28cm
Toiletry Bag – 24 x 9 x 18cm

What's more, here are your other benefits:

1. **Save up to 57% off the cover price**
2. **Free Delivery to your home or office**
3. **Celebrated Annual Issues** – TIME 100, Journeys, Best Inventions and Person of the Year
4. **Money Back Guarantee** – You must be completely satisfied or you'll receive a full refund for all unmailed issues.
5. **TIME All Access** – Enjoy the print magazine + subscriber-only content on TIME.com
6. **24-Hour Customer Service** – You can manage your subscription 24 hours a day at www.time.com/asiacustomerservice
7. **Bonus Gift** – If you subscribe for two years or more, you'll receive an extra mystery gift absolutely FREE!

FREE GIFT(S) AND SAVINGS FORM

YES! Please send me TIME for the term I've indicated below. TIBKN07(A/E

☐ 3 years (162 issues) for a total of ₹ 7,614 - only ₹ 47/issue (Best buy!)
☐ 2 years (108 issues) for a total of ₹ 5,184 - only ₹ 48/issue
☐ 1 year (54 issues) for a total of ₹ 2,646 - only ₹ 49/issue
☐ Please send me the TIME Wheeled Carryon Set as my FREE gift. If I subscribe to a 2 or 3 year term, I will also receive a Bonus Mystery Gift.

Name (Mr./Ms.) _____ (Please print and underline surnam

Address ☐Home ☐ Office _____

_____ Post Code _____

Tel (H)_____ (O) _____ Fax _____

E-mail _____ (Provide to access subscriber-only content on TIME.com) ☐ New ☐ Renew _____ (Please indicate your customer numbe

Choose one:
☐ Charge my credit card: ☐ VISA ☐ ☐ ☐ (Debit cards are not accepted)

Card No. _____ Expiry ____/____ Signature _____

☐ Enclosed is my ☐ Cheque ☐ DD No. _____ (Payable to LM A/C TIME. For non-Delhi cheques please add ₹ 50)

* on the 3-year term. Please allow 6-8 weeks for delivery of your first issue and gift once payment has been processed. Rates and offer valid in India until December 31, 2012 only. If no term is indicated, the minimum will be served. Gift stocks are limited. If free gift is unavailable, it may be replaced with an item of greater or equal value. Your subscription will be hand delivered by courier in Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Pune, Ahmedabad and Chandigarh and by mail to other destinations. All enquiries to be addressed to Living Media India Ltd. directly. TIME's cover price is ₹ 110. Savings are off the cover price. TIME Asia publishes four double issues. Each counts as two of 54 issues in an annual subscription. TIME Asia may also publish occasional extra issues. All disputes subject to the exclusive jurisdiction of competent courts in Delhi only. For subscription related queries, please call (0120) 2479943, fax (0120) 4078080 or e-mail to timecare@intoday.com. Orders from India are subject to acceptance by Time Singapore (Pte) Ltd, 152 Beach Road, #24-05/08 Gateway East, Singapore 189721. Time Singapore (Pte) Ltd is not liable for any custom duty or tax incurred in connection with the subscription.

☐ Please tick if you prefer NOT to receive promotional materials from other companies.

TIME

4 EASY WAYS TO CONTACT US

(0120) 2479943 (0120) 4078080 timecare@intoday.com

Living Media India Limited
A - 61, Sector - 57
Noida (U.P.) - 201301

venture, meet with the university president, a disguised version of then – Harvard president Lawrence Summers. In the movie, the president dismisses Facebook as just another undergraduate venture and tells the brothers to forget it and start another business rather than waste his time on something so trivial. Whether the incident was merely movie fiction or not, in real life that president was overly focused on important long-term plans and goals and on keeping a wide perspective on the institution. His lack of attention to interpersonal interactions eventually cost him support and his job.

Sometimes leaders need a nudge to look at details that might shake their theories. Take a chief executive I'll call 'Herman Fry', who ran a science-based company that was starting to use genetic engineering in a growing product line. Fry had previously led a division to global prominence through breakthrough innovations and was known as a brilliant strategist and big-picture thinker. But when he heard rumblings against genetically modified ingredients in Europe, he initially dismissed them as local issues that didn't require scrutiny or a response. When he heard that a UK customer was being pressured about the same issue, his attention was caught – but not enough; he still said the concern was a minor blip and did not bother to look more deeply. By the time he was persuaded to gather more details, a global backlash had begun, and the company had lost the chance to reassure customers and tell its story ahead of the protests.

A preference for zooming out can make leaders appear remote and aloof. After a campaign that involved both inspiring rhetoric and street-level organising, President Barack Obama faced severe national crises. He zoomed out to address big systemic issues, such as the financial crisis, with policies that advisers said stopped further erosion. But critics said that he failed to convince average Americans that he was addressing their problems. His supporters argued that his actions, Keynesian in nature, would show their merits in the longer run; yet as John Maynard Keynes himself pointed out, in the long run we're all dead. One of the problems with staying at the most distant end of the zoom is that the picture looks static and few routes are visible. It may appear, for instance, as though all economic highways go through the Federal Reserve and big banks. Zooming in, and monitoring the situation as it appeared to communities and families, might have helped Obama communicate that he was seeking alternatives that would reach more people directly – such as increasing small-business lending at local banks. Instead, despite his many accomplishments, Obama's approval ratings plummeted, and his party lost badly in the 2010 elections.

A failure to zoom can spell doom. Problems arise when people get stuck at one end of the scale and are unable to move to the other for a different perspective

Getting Stuck

A failure to zoom can spell doom. As we have seen, problems arise when people get stuck at one end of the scale and are unable to move to the other for a different perspective.

One question is whether it's possible to create teams that balance close-in and far-out modes. Perhaps. But if people can't shift from the worm's-eye or bird's-eye level, they often talk past one another. Those zooming in want to come back to the particulars and haggle over details, frustrating those who want patterns and a strategy. Those zooming out might seem theoretical and impractical, or find that their general frameworks and principles are not understood by those who zoom in. Hardened preferences can get in the way of good decisions.

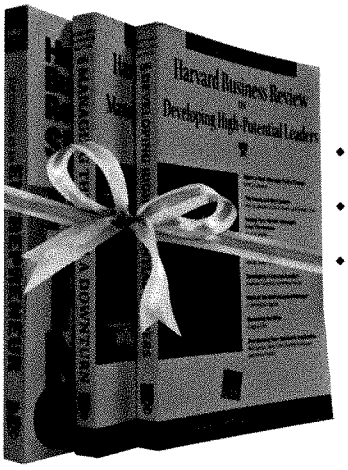
A narrow focus in either direction can lead to trained incapacity, a concept attributed to social theorist Thorstein Veblen. Regardless of their innate potential, if people spend too much time on tasks that draw on only part of their repertoire, it can make the other part atrophy. The fact that it's difficult to balance zooming in and zooming out may explain one perceived difference between male and female managers uncovered by Insead professor Herminia Ibarra. She found that women score high on all aspects of '21st century' leadership performance (such as relationship building, collaboration, and teamwork) except vision setting. Relationships are nurtured by zooming in. Vision involves zooming out. This may derive from the pernicious stereotypical view that men should be entrusted with big-picture decisions, while women should be assigned to caretaking tasks. The very nature of caretaking requires zooming in to be attentive to details, one child or one executive at a time. Zooming in is also a necessity for those whose fate depends on being attuned to the characteristics and preferences of

Harvard Business Review

INVEST IN YOURSELF!

Subscribe to HBR South Asia and...

- Save upto 56% off the cover price
- Get complimentary access to 4 live webinars worth Rs.6000, with renowned global thought leaders
- Get a complementary set of HBR books worth upto Rs.1785/-
- Complete access to 2400+ articles on HBR archive online with premium access



- HBR on Developing High Potential Leaders
- HBR on Succeeding as an Entrepreneur
- HBR on Managing Through a Downturn

2 Year Offer

3 HBR PAPERBACK SERIES: ₹1785/-

For quicker service, logon to www.hbrsasia.org

SUBSCRIPTION FORM

YES! Please enroll my subscription to Harvard Business Review - South Asia for the term indicated below:

SELECT YOUR TERM	ISSUES	PRICE	SAVE	OFFER PRICE	GIFT	
☐ **2 year Premium** (Print + Online) *Access to HBR archives online	*24	₹23,000	43%	₹13,000	**3HBR Paperback Series Worth ₹1785/-**	• HBR on Developing High-Potential Leaders. • HBR on Succeeding as an Entrepreneur • HBR on Managing Through a Downturn
☐ **2 year Print only**	*24	₹18,000	56%	₹8,000		
☐ **1 year Premium** (Print + Online) *Access to HBR archives online	*12	₹11,500	43%	₹6,500	**2HBR Essential Series Worth ₹990/-**	• Entrepreneur's Toolkit: Tools and Techniques to Launch and Grow your New Business • Performance Management: Measure and Improve the Effectiveness of your Employees
☐ **1 year Print only**	*12	₹9,000	56%	₹4,000		

Best I

Name (Mr./Ms.) _____

Address _____
☐ Home ☐ Office

_____ Post Code _____ Tel (H) _____

O) _____ Fax _____ Email _____ ☐ New ☐ Renew _____

Choose one: (please indicate your customer numbe

☐ Charge my credit card: ☐ VISA ☐ ☐

Card No. _____ Expiry _____ Signature _____

☐ Enclosed is my ☐ Cheque ☐ DD No. _____ (in favour of Living Media India Ltd. For non-Delhi cheques please add ₹50)

☐ Please tick this box to authorise HBR SA to get in touch with you.

*This authorises HBR SA to communicate about its products & promotions through mail/phone/printed material / email etc. *This authorisation is irrespective of my instruction elsewhere of not to be contacted or informed over phone/email

' Harvard Business Review is published monthly, except for the Jan/Feb & July/August double issues which count as 2 issues each.

Subscription Terms & Conditions: Harvard Business Review South Asia Cover price is ₹750/- *Savings are off the cover price *Special rates and offer valid in India for a limited period only *Allow 4-6 weeks for processing of your subscription and dispat of the free gift.*Add ₹50/- for non-Delhi cheques *It will not be possible to entertain any cancellation once the free gift has been dispatched. ***Superscribe your name and address on the reverse of the cheque/DD** *All disputes are subject to the exclus urisdiction of competent courts and forums in Delhi/New Delhi only *HBR SA will not be responsible for any postal delays, transit losses or mutilation of the subscription form *By filling the subscription form, the subscriber understands and agrees to all t erms and conditions of the offer *Terms & conditions apply.

4 EASY WAYS TO CONTACT US

(0120) 2479945
Toll Free No.: 1800-1800-100

hbrcare@intoday.com

SMS 'HBRSA' to 52424

A-61, Sector-57
NOIDA-201301

power holders. Traditional divisions of labour by gender encourage men to zoom out and women to zoom in, with fewer opportunities to take another perspective.

Zooming Towards Both Perspectives

The best leaders work the zoom button in both directions. Faced with a crisis, they can address the immediate situation while seeking structural solutions. They can zoom in to see problems while zooming out to look for similar situations, root causes, and principles or policies that will help prevent the crisis from recurring.

Daniel Vasella, Chairman and former CEO of pharmaceutical giant Novartis, was both a psychiatrist by training – which made him able to zoom in on the emotional state of the people around him – and a strategist with a theory of industry change that guided divestitures, acquisitions, and internal restructuring. He stressed personal values as well as global trends. Indra Nooyi, PepsiCo's CEO, blends a big-picture view of principles guiding the company, such as the need for transformation in food and beverage companies to promote improved health, with an ability to zoom in on the details of budget allocations for current business lines. Nooyi has defined new roles (such as a chief science officer) and new structures (for instance, the Global Nutrition Group, linked to central R&D) that help the previously decentralised organisation both zoom out to a global perspective and zoom in on local differences.

Effective leaders encourage others to expand their zooming range. For example, P&G, like most companies in the consumer packaged goods industry, is a heavy user of large-sample survey market research, which maps territories through statistical abstractions, a form of zooming out. Though P&G's leaders don't disregard these data, they also send employees into the field to live with families, zooming in on their needs and experiences. The closely observed details of individual household behaviours ultimately influence P&G's investment decisions.

The zoom function is more than a metaphor; it can be a way for people to stretch their mental capabilities by, for example, manipulating maps, comparing photos, exploring issues from various vantage points, and creating action plans that reflect learning from multiple perspectives. IBM's Corporate Service Corps integrates both the big and the small pictures into its global leadership development programmes. It sends culturally diverse teams on monthlong field assignments in unfamiliar territory. The team members get direct experience solving specific problems on the ground while gaining a broad view across countries and cultures.

The language of zooming offers an objective way to discuss differences in perspective and encourage people to move to a different level: "Let's zoom in on that problem." "Let's zoom out to put it in perspective." Zoom-based checklists can help people stop themselves from overpersonalising, reminding them to go up a few levels to the principles involved, or from overgeneralising, encouraging them to get more grounded in situational realities. Everyone can apply the principles of zooming to his or her own job by asking the right questions, such as whether a given action fits the overall goal or whether there is sufficient information to move forward on a particular theory. (See *Are You Stuck in a Perspective That's Too Close In?* and *Are You Stuck in a Perspective That's Too Far Out?*)

The zooming idea suggests that we don't have to divide the world into extremes – idiosyncratic or structural, situational or strategic, emotional or contextual. The point is not to choose one over the other but to learn to move across a continuum of perspectives. President Bill Clinton's political genius was that he could 'feel your pain' while putting events into historical and international context, zooming in and out quickly in a single conversation or speech. That dynamic capability is the essence of great strategic thinking.

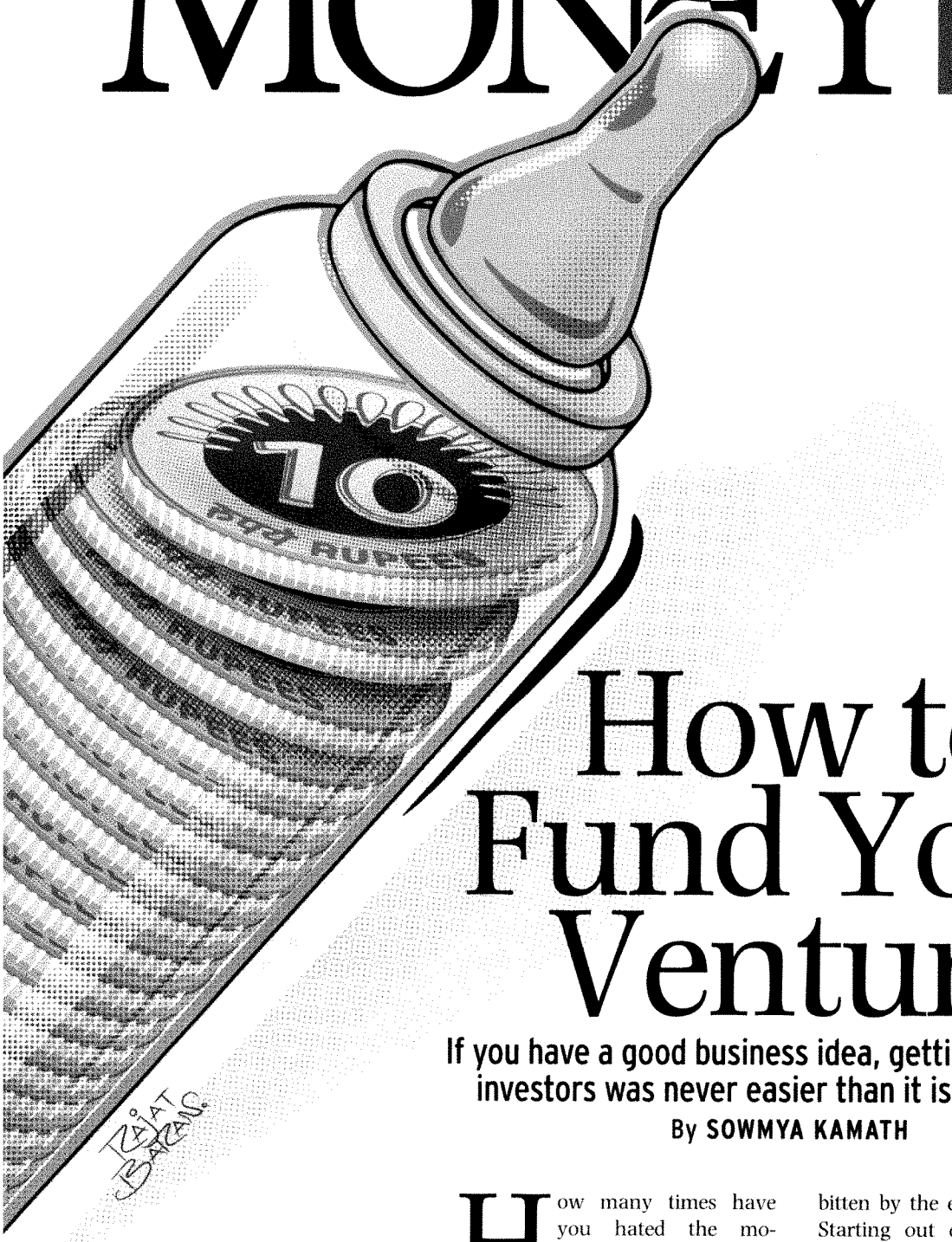
We don't have to divide the world into extremes - idiosyncratic or structural, situational or strategic, emotional or contextual - and choose one

Zooming can help leaders respond to events before they become crises. It can help them embrace new opportunities while continuing to operate with principles that build sustainable institutions for the long run. Leaders should make room to zoom. ◆

Rosabeth Moss Kanter *holds Harvard Business School's Arbuckle Professorship and specialises in strategy, innovation, and leadership. Her latest book is* SuperCorp *(Crown, 2009). This article was published in* Harvard Business Review, *March 2011.* *Copyright © 2011 Harvard Business School Publishing Corporation. All rights reserved.*

MONEY

REQUIREMENTS
INVESTORS LOOK FOR USP, SCALABILITY, EXECUTION ABILITY AND SUSTAINABILITY OF A NEW VENTURE



How to Fund Your Venture

If you have a good business idea, getting funds from investors was never easier than it is at present.

By **SOWMYA KAMATH**

How many times have you hated the monotony of your working life, the hard work you put into making money for others, and secretly wished you had your own business venture? If the answer is often, you have been bitten by the entrepreneurial bug. Starting out on one's own was never easy, but today there are a number of funds and support networks that promise to make the ride smoother. If you have a good business idea, getting funds from investors or venture capital-

ists was never easier than it is at present. "We look for passion, energy and commitment in the entrepreneur. Academic qualifications, past experience and the ability to convince are also key criteria for funding," says Prashant Choksey, co-founder of Mumbai Angels, an angel investor firm which funds start-ups. Vineet Rai, co-founder of Aavishkaar, a venture fund which invests mainly in businesses that focus on education, health, clean energy, agriculture and financial inclusion projects in rural areas, agrees. "Having a good idea is not enough," he says. "How much preparation you have put in, your confidence, the scalability of your business: all these are equally important."

Investors look at feasibility and prospects of growth. They should be convinced about your unique selling proposition (USP). "Before funding an idea, we see if it can make money, is scalable and can give us an exit in a maximum of six years," says Choksey. All this leads up to the vital point investors who fund start-ups look at, which is returns. They help the business grow in its initial stages but also like to have an exit option.

Once investors are convinced your business is sustainable and can grow, they look at the core team to check if it is competent enough. "You may have a brilliant idea but we may still not fund it if your team is not good enough," says Choksey. While having prior experience in the business is an advantage, it is not the only criterion. "If the person is able to convince us that he has the ability to handle the business, we may fund his venture," says Rai of Aavishkaar. Investors also look for commitment. If your idea is to set up a business only to later sell it off, most investors will be alarmed and shy away. In a nutshell, they look for commitment on your part, as well as the unique selling proposition, scalability and sustainability of your venture, plus the execution ability of your team.

While making a pitch to investors, make sure the presentation is not too verbose. You should focus on the main points and express

ROHIT GUPTA

26 | New Delhi

VENTURE: Rolocule Games, which produces interactive game software for iPhones and iPads

FOUNDER: Rohit Gupta has a degree in software engineering from Pune Institute of Computer Technology. While working for Infosys, he got fascinated with graphics and gaming, but could not find any institute in India which offered courses in the latest gaming technology. Took a course in gaming at Columbia University, New York. Returned to India after a brief stint with Electronic Arts, the world's leading developer, publisher and distributor of interactive entertainment and games software

START: In April 2009 with a capital of ₹1 lakh provided by his father. He developed the squash video game, Touch Squash, for iPhone

PAST EXPERIENCE: At Electronic Arts, he was in the team that worked on the game 'The Sims 3'

FUNDING: Won ₹20 lakh in the contest, Power of Ideas at IIM, Ahmedabad. Has negotiated with various investors and obtained more funds

BREAK-EVEN: Broke even within a few weeks of its launch

INVESTOR LINK: Sends statements to investors on how the last quarter went and on plans for the next quarter

ADVICE TO ENTREPRENEURS: "Go and start on your own. See if the idea is feasible. If it works, many investors will come to invest in your firm"

your thoughts in as few words as possible so that those listening do not lose interest.

You must give a clear picture of your products and services, the possible difficulties in implementing the growth plan you have in mind and the details of how you intend to take the business forward. The industry you operate in and the kind of competition you face should also be covered. You must also have detailed knowledge of the size of the market you will be competing in, your distribution and marketing strategy, your potential customers and likely closest competitors.

Investors would also want to know your revenue and profit forecast for the next five years along with the likely expenditure. You must also try to give them an estimate of when the business will break even.

Investors usually fund by way of equity, taking up a significant minority stake. This can be anywhere up to 49 per cent. However, it depends on the valuation. Most investors prefer to buy a lower stake as it enables them to exit the business easily. "We generally like to take a minority stake. However, it depends on valuations," says Rai of Aavishkaar. "We generally fund anything between ₹1 crore and ₹35 crore." Mumbai Angels Network invests up to ₹2 crore.

Estimating value

How is value calculated? It is based on an evaluation of the business. No doubt it incorporates an element of subjectivity. "Valuation is almost an art. We do the valuation based on the type of business, the product it makes, the credibility of the promoter, his projections and past transactions, if any, in a similar business," says Prachi Mathur, Associate Vice President, Intellectual Capital Advisory Services Pvt Ltd, which provides advisory services and facilitates investments by companies, non-profit development agencies and governments working in developing markets.

Entrepreneurs often ask family members or friends for money to fund their efforts. But not everyone has a rich family or a friend. Angel investors, who usually invest a lower amount than venture funds, could come to the rescue in such cases. Angels typically invest their own funds, unlike venture capitalists, who handle the pooled money of others in a professionally-managed fund. Angel capital fills the gap in start-up financing after friends and family have provided seed funding.

It is usually difficult to raise more than a few lakh rupees from friends and family. On the other hand, traditional venture capital funds are not able to consider investments under $1 to 2 million. Thus, angel investment is a common second round of financing for high-growth start-ups. Venture funds are registered with the Securities and Exchange Board of India. ◆

Courtesy: *Money Today*

NISHIKANT GAMRE

RASHMI SAWANT

40 | Mumbai

VENTURE: Culture Aangan Holidays, which offers home stays in Sindhudurg, Maharashtra. Plans to extend services to Rajasthan by May 2012

FOUNDER: Rashmi Sawant, an Arts graduate with a diploma in travel and tourism

START: In 2005, to aid rural development in Sindhudurg. Later developed into a full-fledged business

PAST EXPERIENCE: Nil

FUNDING: Raised ₹80 lakh through a five-year optionally convertible debt to be paid off or converted into equity in 2010/11. Started with a capital of ₹26 lakh

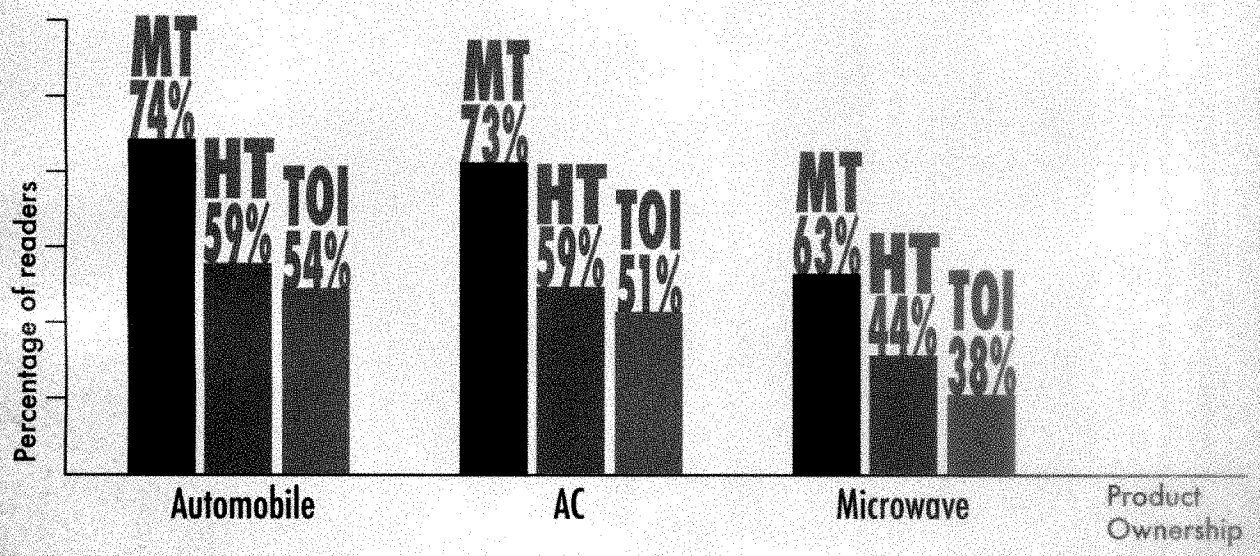
BREAK-EVEN: Expected in 2013/14

INVESTOR LINK: Has to keep investors updated on major events and send them quarterly reports

ADVICE TO ENTREPRENEURS: "Always go for mentoring. It is important to have a good mentor. It took me 10 steps ahead. We also focus more on marketing and public relations"

THE INDIA TODAY GROUP

MAIL TODAY READERS SCORE BETTER PRODUCT OWNERSHIP PERCENTAGE THAN HT AND TOI IN DELHI & NCR.

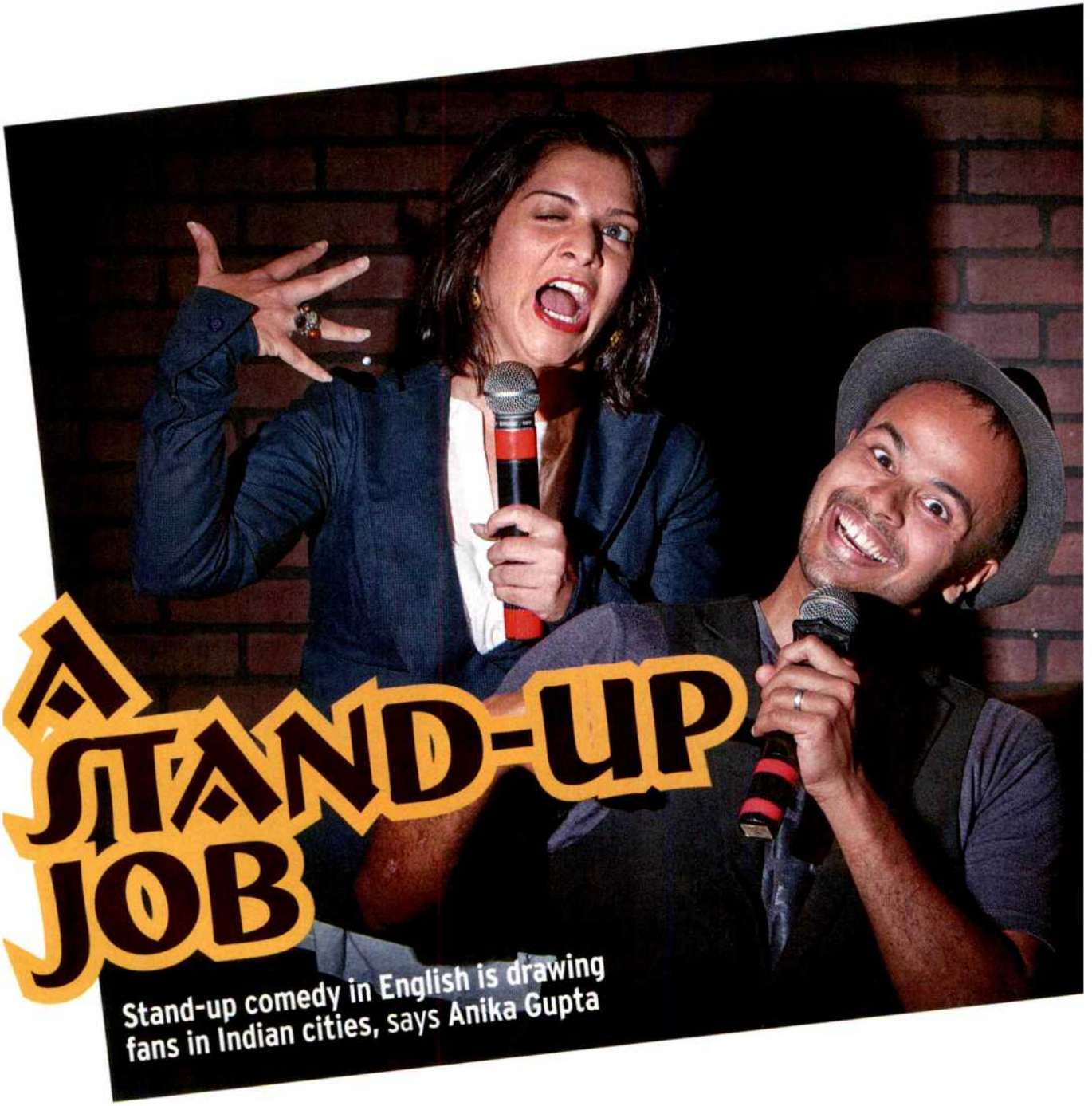


MAIL TODAY
News for the new world

Source: IRS 2011 Q4

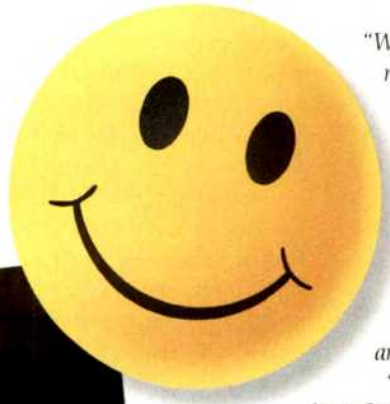
LAST BUT NOT LEAST

EXECUTIVE HEALTH 109 CAREERS 113 PEOPLEBUSINESS 116



A STAND-UP JOB

Stand-up comedy in English is drawing fans in Indian cities, says Anika Gupta



"We were on this flight once in the early 80s. The aircraft goes to the end of the runway, turns around, and parks in a secluded area. The pilot announces: 'Ladies and gentlemen, we would like to request you to deplane. Please do not panic. We have received news that there is a bomb on the flight.'"

"Indians being Indians, and because the concept was new, nobody moved. They literally had to be herded off. On the way out, people asked the pilot: 'If the plane explodes, will we get a refund?' Incredibly, the pilot did not say: 'You'll get a refund, please get out of the plane.' ...It was an Indian Airlines flight – he contacted the head office to find out if there would be a refund."

"Eventually everyone was pushed out. The bomb squad looked at the plane and said: 'Doesn't look like anyone's tampered with it. You can go.'"

"But the 200 passengers and two pilots decided to play it safe. 'This is a two-hour flight. If this plane is going to blow, it's going to blow in the next two hours. We'll just wait,' was the consensus. And that's what they did: they all sat there looking at this plane, waiting for it to explode. It didn't explode, and off they went!"

As Papa CJ paced up and down narrating this tale, the audience of about 200 – mostly people in their late 20s and early 30s – cracked up. For over half an hour, CJ – 'Papa' is a stage name – told one humorous story after another in the open-air amphitheatre at Delhi's India Habitat Centre, covering everything from his days as an MBA student in the UK to childhood trips to Assam.

Stand-up comedy is not new to India. Well-known Hindi stand-up comedians have been packing auditoriums for years – Bollywood's Johnny Lever can sell out a 900-seat theatre in hours, goes the legend. But stand-up comedy by Indians in English is relatively new. And it has few practitioners, the most notable being Vir Das. Over the last few years, others, such as CJ and Mumbai-based Aditi Mittal and Sorabh Pant, have begun to emerge. They are among a small group of young comedians making a living cracking jokes – something traditional Indian parents once considered a character flaw. This new crop hopes to reach an expanding urban audience that is fluent in English and eager for edgy, worldly humour.

"People are tired of going out and finding nothing to do," says Mumbai-based Pant, who got his start touring with Das. Now on his own, Pant does about 150 shows a year.

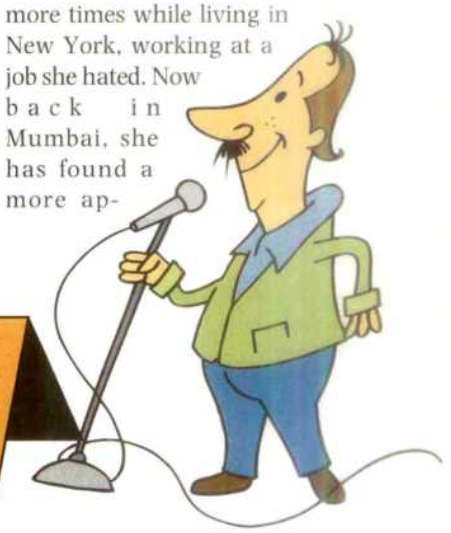
While audiences around the country want to laugh out loud, stand-up comedy is by no means an easy art. Mittal's first attempt, in Mumbai, went badly. "I've been to noisier funerals," she says of the audience's response. Mittal, 25, tried stand-up a few more times while living in New York, working at a job she hated. Now back in Mumbai, she has found a more ap-

Aditi Mittal, 25

BASED IN:	Mumbai
YEARLY SHOWS:	120
FIRST SHOW:	Nov 2009
PREVIOUS JOB:	TV writer

Sorabh Pant, 30

BASED IN:	Mumbai
YEARLY SHOWS:	150
FIRST SHOW:	Dec 2008
PREVIOUS JOB:	Writer for Vir Das



Stand-up comedy has its origins in vaudeville theatre: North American variety shows that featured a number of acts, including comedy

PHOTOGRAPH BY NISHIKANT GAMRE

preciative audience. She does around 10 stand-up shows a month, and has a profitable sideline as a voiceover actress.

Stand-up comedy is often irreverent and deeply personal. Comedians mine politics, their daily lives and intimate relationships for material. The hardest part of the job can be getting the audience to feel it.

"Doing stand-up is like having a PhD in group psychology," says CJ. "You can sense how an audience feels, what's making them angry, what's making them happy. And you have to manage that on the spot."

Despite the growing demand, however, there are few well-known English stand-up acts in India. Mittal says she can think of about 15 comedians who work full time on the English circuit, while others put the number even lower. And aside from British import The Comedy Store, in Mumbai, dedicated comedy clubs are not yet the norm in India.

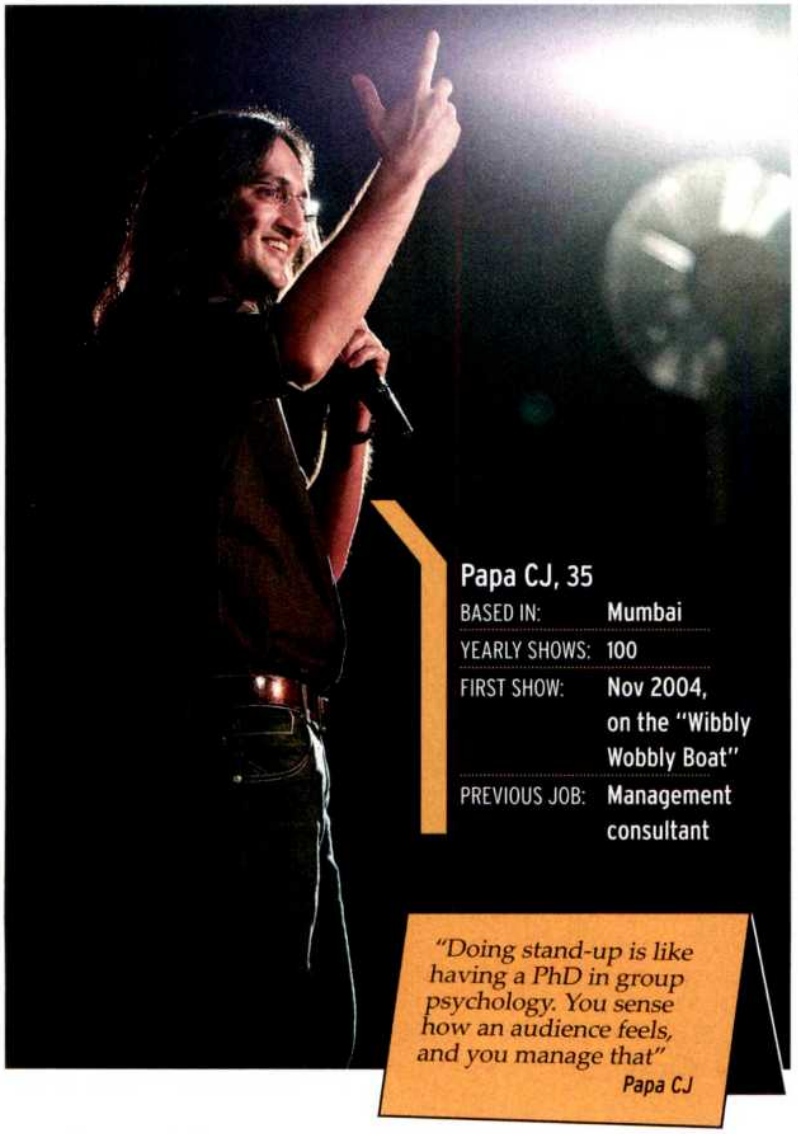
But over the past few years many bars have started hosting "open mic" nights, casual shows where comedians try out new material. While open mic nights help them break into the scene, comedians make the real money at sponsored shows. In corporate India, demand for these acts has begun to outstrip supply. Although few comedians are willing to disclose their exact income, payment for a half-hour-long corporate show starts at around ₹30,000 and goes up to ₹3 lakh for an established act. The average hovers between ₹50,000 and ₹1 lakh.

Samar Singh Sheikhawat, a senior Vice President of Marketing at United Breweries, started booking stand-up comedians for the company's Kingfisher-branded events in response to requests from invitees. "Our audience is very Internet-savvy, very aware of trends, so for them humour is a part of life," he says.

CJ says he has convinced reluctant bar owners to host open mic nights on Sundays or Mondays, when business is slow. "I tell them: 'Sunday night you normally have five people. I'll have 80 people spend 3.5 hours.' It works."

Meanwhile, Delhi-based comedy group Entertainment Engineers thinks it might have solved the language puzzle. "It's obvious that the future comic star from India will have to be multilingual," says Vardan Kabra, who handles marketing for the company. "You will have to change the topics you touch, the language you choose and the references you make according to the audience you address." Founded in late 2009 by an IIT Bombay graduate – ergo the name Entertainment Engineers – the firm has revenues of a little over ₹50 lakh. It has 11 employees, including four comedians, on its roster. The plan, says Kabra, is to expand into Tier-II and even Tier-III towns, with a brand of comedy that he describes as "Hinglish" or even "Hindi 2.0".

"Indians want to see Indians do comedy," says Pant. Even in English. And going by the crowds turning up at bars and auditoriums, they want to see it often. ◆



ADITYA KAPOOR

Papa CJ, 35

BASED IN:	Mumbai
YEARLY SHOWS:	100
FIRST SHOW:	Nov 2004, on the "Wibbly Wobbly Boat"
PREVIOUS JOB:	Management consultant

"Doing stand-up is like having a PhD in group psychology. You sense how an audience feels, and you manage that"
Papa CJ

Send your comments to editor.bt@intoday.com

Smoother Automatic

This is the first vehicle to provide double-clutch transmission at an affordable price, says Kushan Mitra

Ford's Fiesta PowerShift Automatic comes in two models: **Style (₹9.14 lakh)** and **Titanium (₹9.86 lakh)**
(prices ex-showroom Delhi)

ADITYA KAPOOR

The Ford Fiesta PowerShift Automatic was launched recently with much fanfare. It has a dual-clutch automatic transmission and yet comes at an affordable price. Earlier, dual-clutch systems, introduced by Porsche in the early 1980s, were the prerogative of luxury German brands, at least in India.

A dual-clutch system essentially uses two separate clutches to engage odd and even numbered gears respectively. Ford's dual-clutch system is developed jointly with German firm Getrag and the Fiesta will be the first of several Ford vehicles in India to feature it.

How is the new Fiesta to drive? Well, thanks to the dual-clutch system, there is no perceptible jerk as the car switches gears. Upshifts and downshifts are handled effortlessly. That said, like many other automatic transmission cars, the Fiesta also ends up at a loss about which gear to use when you get aggressive with the throttle.

Some cars circumvent the problem with an 'H-gate' in their transmission, giving the driver the option of occasionally overriding the car's transmission logic. One wishes this Ford had that feature too.

Certainly, in slow-moving city traffic, the automatic transmission is a boon. If handled with care, with only the occasional burst of throttle, the Fiesta will return, according to its computer, around 11 to 12 km per litre, at par with its manual transmission sibling. And while we never got a chance to engage the 'Hill Descent' mode during the test drive in the capital, that additional feature is also a great addition.

Given the growing shift to diesel cars, we hope Ford comes up with a diesel automatic soon too. ◆

Costly, Sporty, Fun Driving

The Audi A7 may look sporty, but it is, in fact, a luxurious sedan. Its 2,967cc V6 turbo-diesel engine serves it well, as it does on pretty much every large vehicle in Audi's range. But thanks to the sporty shape, the 240 HP engine delivers speed much more effortlessly. And despite being as long as a yacht, the car grips the road tightly; the low driving position also makes driving a great experience. At ₹66.40 lakh, the new offering from Audi is better value for money than many other models and as much fun to drive.

KM

Sound Ideas

Sound quality is improving even as speakers and mikes get smaller

Scientists have been applying the laws of physics in remarkable ways to bring us not only ever more complicated gadgetry in smaller packages but also an increasingly improved audio experience. But combining the two is more difficult than it appears.

To produce sound, one must vibrate the air. The larger the surface area of the vibration, the louder – and some would argue, better – the sound. This is why big speakers, which have magnet-driven paper cones at their heart, are a standard sight at concert venues.

But as gadgets became smaller, speakers had to get smaller as well. No gadget reflects the challenges faced by audio engineers better than the television set. Engineers have been able to create thinner and thinner TVs, moving from cathode ray tubes to plasma-driven flat panel displays. The first generation of flat panels were much thinner than the tube TVs, and in less than a decade, displays have become even more so. Yet because of the space constraint, the audio quality of most current-generation TVs is not all that different from those of a decade ago.

It was the same story with laptops and mobile phones. Headphones and microphones got smaller and smaller, to the point that today many people wear small in-ear earpieces. But the quality of the sound did not at first noticeably improve.

The changes have been extraordinary. My music collection of some 200-odd cassette tapes as a teenager would not fill up even a one-inch square iPod Nano. Vast libraries of music now fit into a device that can slide comfortably into your pocket.

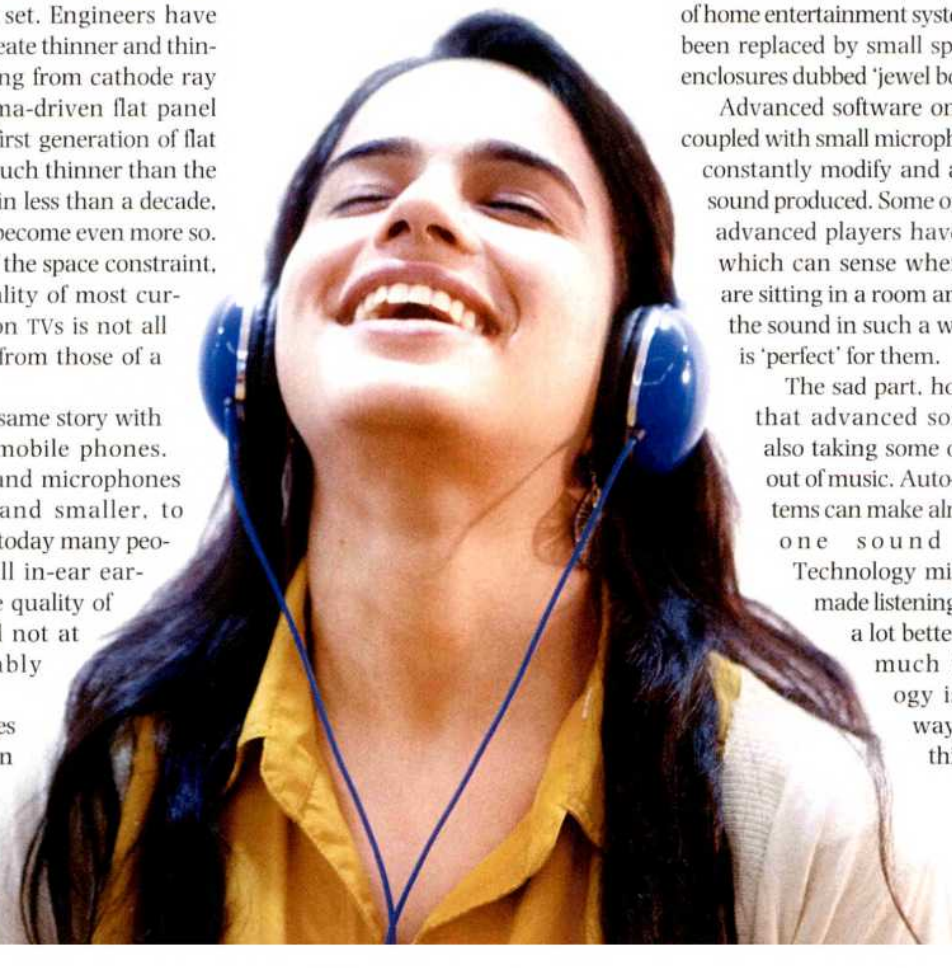
Not surprisingly, digital sound was initially derided by audiophiles as not being good enough. You still find people who swear by the quality of sound produced by a long-playing record player. But you cannot carry a record player everywhere you go, while the iPod you can.

However, the problem seems to have been surmounted. There have been major improvements. Thanks to the miniaturisation of speakers, many luxury hotels in India and indeed globally now provide an iPod dock. Since most music is recorded digitally in highly advanced studios, the argument about which is superior, analogue or digital, is dying.

As with many other consumer products, it is not so much the hardware but the software that makes all the difference. Consider the technology created by UK's Dolby Laboratories, which can make even fairly ordinary recordings sound very good during playback. It does not matter if you have only a small mobile phone with a tiny little speaker, the sound quality can surprise you. Huge, floor-standing speakers that were once the pride of place of home entertainment systems, have been replaced by small speakers in enclosures dubbed 'jewel boxes'.

Advanced software on players, coupled with small microphones can constantly modify and adapt the sound produced. Some of the most advanced players have sensors which can sense where people are sitting in a room and modify the sound in such a way that it is 'perfect' for them.

The sad part, however, is that advanced software is also taking some of the fun out of music. Auto-tune systems can make almost anyone sound good. Technology might have made listening to music a lot better, but too much technology is not always a good thing. ◆



ADITYA KAPOOR

BS Books

cordially invites you to

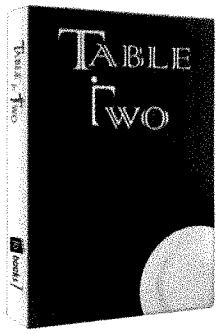
Lunch

with

Amitabh Bachchan
Anil Ambani
Chanda Kochhar
Chetan Bhagat
Farhan Akhtar
Kiran Desai
Kishore Biyani
Kris Gopalakrishnan
KV Kamath
Nandan Nilekani
Narayana Murthy
P Chidambaram
Ramachandra Guha

&

many more



Eavesdrop on a collection of candid conversations between the people who move India. From actors and authors to businessmen and bankers to academics and politicians, public personalities get chatting over lunch with Business Standard journalists and editors. The very best of 'Lunch with BS'.

Buy online www.business-standard.com/books

For details, contact: **yogesh.kukreti@bsmail.in**, 011 2347 4110 or **subrata.das@bsmail.in**, 011 2347 4237 (9 am - 6 pm, Mon - Fri) Business Standard, Nehru House, 4 Bahadur Shah Zafar Marg, New Delhi.

BS books
PERSPECTIVES ON INDIA

ON SALE NOW!

HBRSASIA.ORG SOUTH ASIA

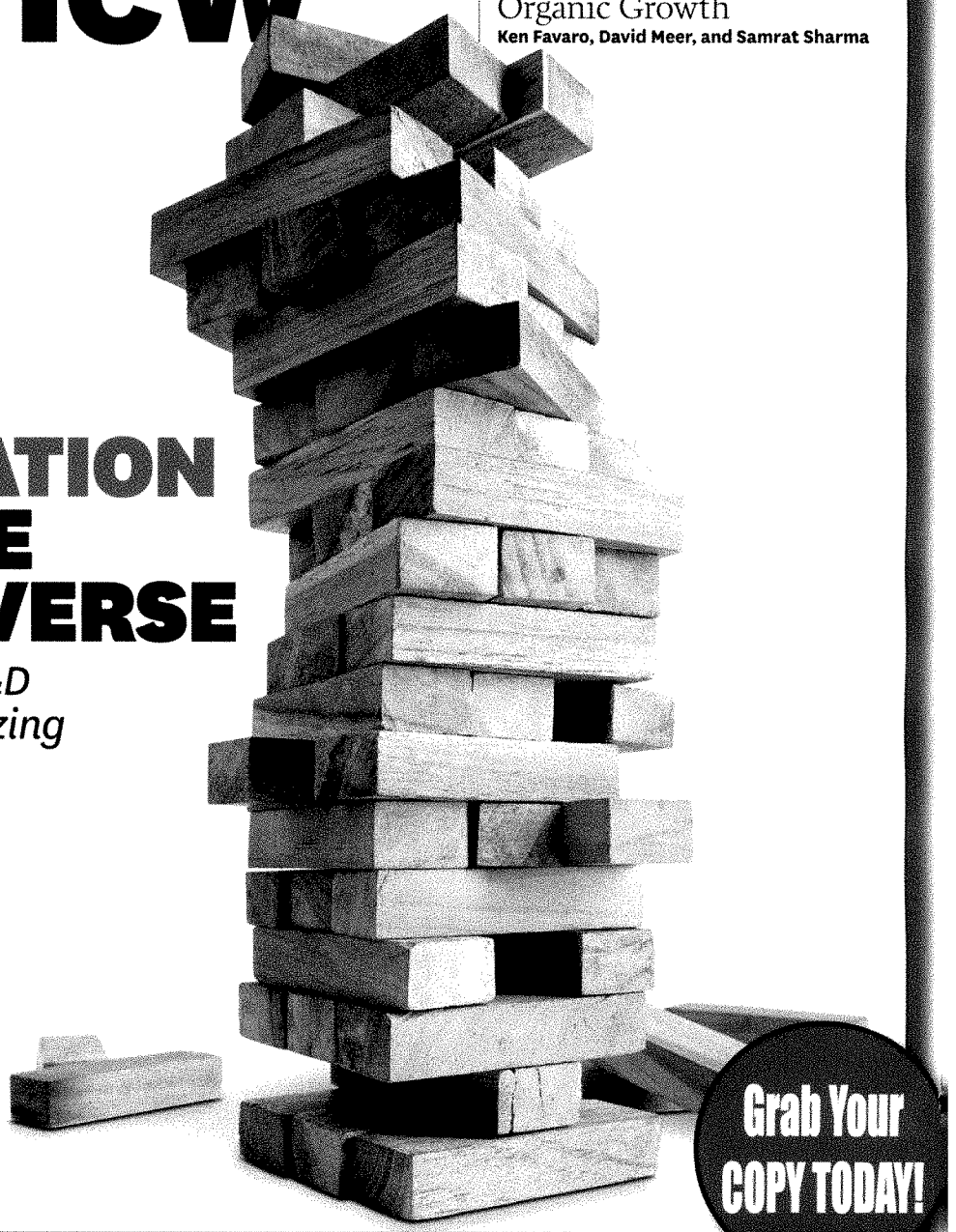
Harvard Business Review

MAY 2012

88 Globalization
Why You Need a One-Language Strategy
Tsedal Neeley

34 The Big Idea
The Rise of the Executive Supertemp
Jody Greenstone Miller and Matt Miller

70 Strategy
Jump-Start Your Firm's Organic Growth
Ken Favaro, David Meer, and Samrat Sharma



INNOVATION FOR THE RISK-AVERSE

How to bet on R&D without jeopardizing your company
PAGE 45

India	Rs	750
Bangladesh	Taka	1,250
Bhutan	Ng	775
Myanmar	K	110
Nepal	N Rs	1,250
Sri Lanka	Rs	1,800

Grab Your COPY TODAY!

4 easy ways to subscribe

hbrcare@intoday.com www.hbr.org (0120) 2479945 SMS HBRSA to 5242

Vital Travelling Companions

Always carry a first-aid kit and take out medical insurance when you travel, says Manasi Mithel

Two months ago, the multinational company Jhumur worked for as a senior executive, sent her to China for a week. Arriving there, she promptly fell ill and was soon running a temperature. Unfortunately, she had not bothered to take any medicines along from India, not even a paracetamol tablet.

Nor could Jhumur, who didn't want her second name taken in this story, get any help. "No one at the five-star hotel I was staying in spoke English," she says. "I wasn't able to explain that I needed some medicine for fever. There wasn't even a doctor on call." She suffered, but vowed she would never be caught unawares again.

Many executives, who are often in a rush, either forget to take a medical kit along, or do not bother, believing they are in sound health and nothing will happen to them. This is an extremely short-sighted view. Whenever you travel out of town, especially overseas, do ensure you are prepared for any health contingency that may arise. That means carrying not only a medical kit that includes analgesics, antacids and the like (see *Essential Kit*), but also taking travel insurance, which covers any medical costs you may incur. Without insurance, these costs can be prohibitive.

Sure, some do. A striking contrast to Jhumur is Suneet Singh Tuli, CEO of London-based manufacturer of wireless web access products, DataWind. "I never leave without my basic medicines," says Tuli, who travels nearly 300 days a year. He also has an annual travel insurance plan for his family, which covers both business and personal trips.

"An overseas traveller should always carry a healthcare insurance cover," says Dr Nikhil Kulkarni, a general physician at Mumbai's S.L. Raheja Hospital. "Those suffering from diabetes, asthma or cardiac problems should also take their doctor's prescription with them." This is because they will otherwise find it impossible to replenish the stock of drugs they need daily. Most Western countries, unlike India, are very strict about not selling drugs except against doctor's prescriptions.

It is wise to keep a medical kit handy while travelling within the country too. Shayak Banerjee heads the Programme Review and Management Team at Pratham, a leading education NGO. His work often takes him to remote interior villages. Like Tuli, he too always carries a first-aid kit, which includes band-aids, antacids and anti-allergy pills. This really paid off once when he fell ill late at night on a train, on an overnight journey from Bhubaneswar to Orissa's Rayagada district. "The kit should be taken along because there aren't any medical stores open in these far-flung areas at night," he says.

Not enough people going abroad take travel insurance in India. "The number of outbound travellers is around 12 million. But outbound travel insurance penetration is only 15 to 20 per cent," says Sanjay Datta, Head of Underwriting and Claims at ICICI Lombard General Insurance Co. This is confirmed by the Kuoni Holiday Report 2011, prepared by Swiss travel agent Kuoni. The market is growing by about 10 to 15 per cent a year.

Some Western countries have made travel insurance mandatory for visa approval. Many, however, have not. But it is a good idea to take such insurance whenever you leave the country and make your journey truly safe. ◆

Essential Kit

Remember to pack:

- Analgesics
- Antacids
- Antiseptic cream for minor injuries
- Band-aid
- Anti-allergic drugs
- Travel insurance papers

Doctor's tip: Always undergo a thorough check-up before a long journey Source: *BT* Research

Subscribe to Business Today
Clinch the smartest deal in seconds!

THE INDIA TODAY GROUP

business today

FOR MANAGING TOMORROW

Term	No. of Issues	You Pay (₹)	You Get
2 Years	52	1560	Business Today Gift Set worth ₹650/- Best Buy
1 Year	26	~~780~~ 695	11% Discount on the Cover Price

Please fill in the form and send it back to us in the address mentioned below

Business Today Subscription Form

Send form with payment to LIVING MEDIA INDIA LTD., A-61, Sector 57, NOIDA-201301 (U.P.)

Yes! I would like to subscribe for:

☐ 2 Years (52 Issues) : Pay ₹ 1560/- Get Business Today Gift Set worth ₹ 650/- Best Buy

☐ 1 Year (26 Issues) : Pay ₹ ~~780/-~~ ₹ 695/- Get 11% Discount on the Cover Price

Name..... Address.....

.....City.....

Postal Code.....Tel./Mobile.....E-mail.....

Payment Details:

☐ Charge my Credit Card ☐ VISA ☐ ☐

Card No.....

Expiry.....Signature.....

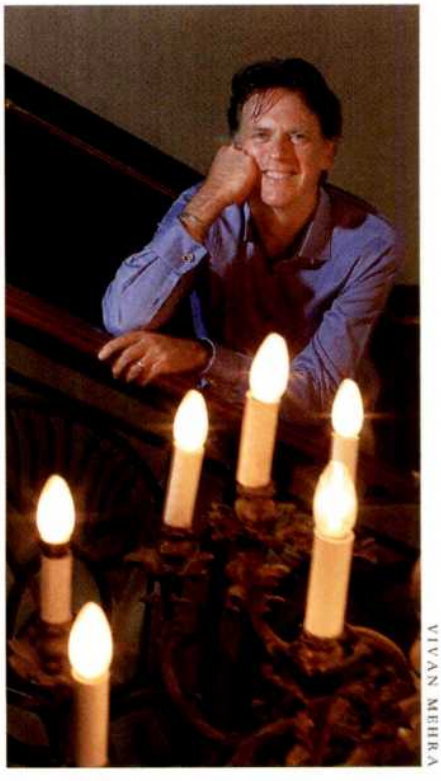
Payment Enclosed: ☐ Cheque ☐ DD No.....(in favour of Living Media India Limited. For non-Delhi cheques, please add ₹ 50/-)

Subscription Terms & Conditions: This authorises us to communicate about our products & promotions through mail/phone/printed material/email etc. This authorisation is irrespective of my instructions elsewhere of not to be contacted or informed over phone/email/mail etc. Cover Price of BT is ₹ 30. Special Rates and offer valid in India only for a limited period. Allow 3-4 weeks for processing of subscription. Your free gifts will reach you in about 6 weeks of commencement of your subscription. Add Rs. 50/- for non-Delhi cheques. Superscribe your name and address on the reverse of the cheque/DD. All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only. Business Today can revise this offer any time at its discretion without any prior intimation. Subscription can not be cancelled once the free gifts are dispatched. Terms & conditions apply.

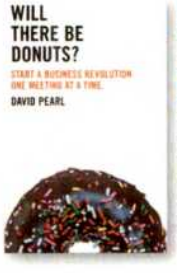
To Subscribe - Email: wecarebg@intoday.com or Call Toll Free No.: 1800 1800 100 or (0120) 2479900

"Meetings Should be Fun, but..."

More than six feet tall, **DAVID PEARL** *makes for an imposing presence as he draws on his experiences in the creative sphere, including theatre, to explain how businesses can become more effective. He has been an opera singer – starting at age nine – a performer, an advertising copywriter, and a writer for film and television. His present career began in the mid-1990s, when he was asked by a professional services firm to prepare a personal and professional development programme for its top 1,000 employees. Since then he has worked on nearly 800 similar projects for clients such as McKinsey, GSK, BP, Unilever, Oracle, Dell and Disney. Pearl has now turned author with a book* Will There Be Donuts? Start a Business Revolution One Meeting at a Time, *on both the utility and futility of meetings, which will be out in end-May. In India recently, he spoke with* BT's **SHAMNI PANDE.** *Edited excerpts:*



VIVAN MEHRA



Will There be Donuts? Start a Business Revolution One Meeting at a Time

By David Pearl

HarperCollins
Pages: 307
Price: ₹399

There are many books on meetings already. What made you take up the subject?

If you are in a job where you have to devote at least three hours to meetings daily, a back-of-the-envelope calculation will show you spend nearly 82 days a year in meetings alone. Stretch this beyond a year, and it amounts to nine years, six months and three days of your working life. Yes, I have actually worked hard to figure that out.

I know managers who are involved in nearly seven hours of cross-country conference calls daily. Think about the time and energy a company invests in meetings so that it can come up with creative, innovative solutions to its problems. These involve people who are highly accomplished, well-read and intelligent, yet many do not get the best out of meetings.

I once went to one of the top accounting firms and got off at the wrong floor where hundreds of people were glued to a screen – all in a meeting. I went back into the lift and again managed to get onto another wrong floor with the same visual treat. Floor after floor, people were engrossed in meetings. These have become almost a modern form of slavery – an epidemic.

Yet meetings are critical. I was once asked to intervene in a very large firm and the key issue I addressed was the time its employees spent on meetings, which were mostly not leading to any results.

You almost challenge yourself and your readers by asking: 'Is this more interesting than food or sex?'

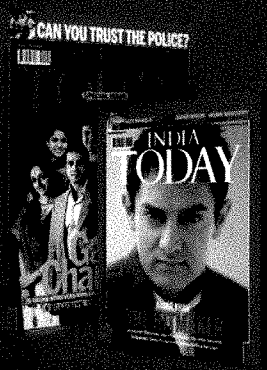
Yes. Meetings have to be fun. They consume so much of one's working life and vital business time. Often, people tend to keep quiet even when they are bored at meetings. In the performing arts world, where I grew up, this is not done. There you have direct feedback, what with viewers heckling and even throwing things. So, it is important for people who call meetings to be clear about the context as well as the objective, and make them as much fun as possible.

But often, aren't the very leaders who bring in people like you responsible for holding too many meaningless meetings?

Absolutely. I once attended a lunch meeting and watched an Australian CEO who wanted to say something which should have taken five minutes. But he rattled on, and three of the people attending the meeting fainted, as it was an outdoor meet on a particularly hot day.

I highlight this aspect in my book: 'They' are the people causing the problems... you will have to take the initiative if you want to change things. ◆

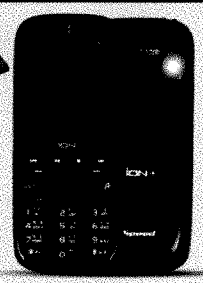
7 REASONS TO SUBSCRIBE



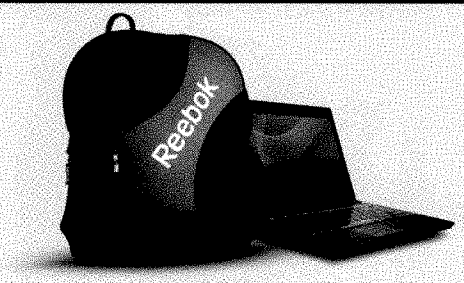
1. It is India's most-widely read publication.
2. It covers all issues of national and international importance.
3. It offers insightful analysis.
4. Its editorial integrity is uncompromised.
5. It reflects and shapes public opinion.
6. It's a complete package for today's readers, with four free magazines.*
7. Its special issues have become an industry standard, whether it is the Best Colleges Special issue or the Mood of the Nation poll.

+ BONUS | FREE GIFTS WITH EACH SUBSCRIPTION TERM

BEST OFFER



iON i5 Mobile worth ₹. 3800 with **5 YEARS SUBSCRIPTION**



REEBOK LAPTOP BAG worth ₹. 2999 with **3 YEARS SUBSCRIPTION**

REEBOK TRAVEL BAG worth ₹. 999 with **1 YEAR SUBSCRIPTION**

* India Today Woman, India Today Aspire, India Today Spice, India Today Home

YES! I WISH TO SUBSCRIBE TO INDIA TODAY.

INDIA TODAY

Please tick your subscription choice and send the form to:
We Care, India Today, A-61, Sector 57, Noida - 201301, (U.P.), India

TICK	TERM	NO. OF ISSUES	COVER PRICE (₹.)	YOU PAY (₹.)	SAVINGS	FREE GIFT
☐	5 years	260	7800	5100	35%	iON i5 Mobile worth ₹.3800/- (BEST OFFER)
☐	3 years	156	4680	3700	21%	Reebok Laptop Bag worth ₹.2999/-
☐	1 year	52	1560	1400	10%	Reebok Travel Bag worth ₹.999/-

Please fill the form in CAPITAL LETTERS

I am enclosing Cheque/DD No.:_____ dated:_____ drawn on (specify bank):_____

favouring INDIA TODAY for ₹._____ (Add ₹. 10/- for non Delhi cheques)

Or, Please charge my Credit Card ☐ ☐ ☐ VISA Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card Member's Name ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Card Expiry Date: M_____ Y_____

Card Member's Signature: _____ Date of Birth: D_____ M_____ Y_____

Name: _____ Address: _____

_____ City: _____ State: _____ Pin: _____

Ph (Res.): _____ Mobile: _____ Email: _____

ITE/MAG1/12

*Terms & conditions apply.

YOU MAY ALSO SUBSCRIBE THROUGH

SMS ITE to 52424

CALL us on Toll Free No. 18001800100 and (0120) 2479900

E-MAIL wecare@intoday.com

LOG ON TO www.indiatoday.in/subscribe

Durable Opportunities

The consumer durables and electronics industry continues to hire aggressively, says Shamni Pande

I was clear I wanted to join the consumer durables and electronics space," says Rajeev Tandon, 23, who graduated from Mumbai's Narsee Monjee Institute of Management Studies (NMIMS) last year. "It is an industry that gives you well-rounded experience."

His is a wise choice. It is a paradox that in a time of overall economic gloom, an industry that banks on conspicuous consumption for its growth continues to do well. Estimated at around ₹70,000 crore, the consumer durables and electronic goods market is expanding at 10 to 15 per cent annually.

"Unlike with real estate and other investments, people have not really scaled down their buying of consumer durables or electronic goods, which are nowadays considered basic," says Vikram Chhachhi, Executive Vice President, DHR International, a global executive search firm. "Despite the blips this space faced, the overall outlook for the industry has remained good." It follows that the demand for fresh talent in this sector will also continue.

Industry players confirm his view. "We hope to increase our talent pool for research and development (R&D) by almost 45 per cent," says Sanjay Bali, Senior Vice President at Samsung India. Samsung's R&D centre in India is its largest outside its Korea headquarters, employing over 6,000 people. The company also intends to hire more talent for its retail and enterprise divisions this year.

WHO IS HIRING
Sony, Samsung, Philips, Panasonic, Onida, Hitachi

COMPENSATION (per year)
CXO-level: More than ₹1 crore
Senior-level: More than ₹20 lakh
Mid-level: ₹8-14 lakh
Junior-level: Less than ₹8 lakh

Sony India recently announced it would be hiring at least 500 more people in India, where it is a leading brand in categories such as flat television sets and digital cameras. India is one of the Japanese giant's top five markets globally.

Panasonic, another Japanese player, which has recently ventured into new categories here, has also been hiring hard while carefully crafting its strategy in India. "The last two years have been the formative years for Panasonic and saw aggressive hiring across different departments such as sales, marketing and other support functions," says Prashant Deo Singh, Head of Human Resources and General Affairs, Pana-sonic India. This year, Panasonic will focus more on stabilising the newly introduced systems and processes. Sales and marketing will continue to be the focus areas of headcount additions. It also intends to strengthen its business-to-business (B2B) sales division, besides its business-to-consumer (B2C) business. "We will also be hiring people for our upcoming manufacturing plant at Jhajjar in Haryana," says Deo.

Where are the new hires coming from? "Most durables and electronics companies have been hiring from within," says Mahadevan R., Director at Career Avenues, an executive search firm. "For some key senior positions they look at talent from outside the industry as well."

These lateral entrants could be from across sectors, especially FMCG and telecom. A career in consumer durables and electronics is as high profile as that in FMCG, feel many observers. ◆

SEVENTY-SEVEN

THE AVERAGE CONSUMER IS EXPOSED TO OVER 3000 ADS IN A DAY. CONVENTION SAYS, RELEASE MORE ADS.

HERE'S WHAT RESEARCH HAS TO SAY:

t's a busy world we live in. Surrounded by media, round the clock. Swamped by choice. Driven to distraction by shrinking attention spans. With over 3000 advertising messages vying for our attention every day, people are learning to hack through, or plain ignore the glut. In an already cluttered environment, putting out more ads can't be the answer. So, the Association of Indian Magazines commissioned a two-phased research: a qualitative research by Quantum, followed by a large scale quantitative survey with 3600 people across 10 cities, conducted by IMRB. And the findings confirmed what we've believed all along. Magazines, it turns out, connect with us at a far deeper level than most media. They're part of high quality 'me' time, and rate very high on engagement and trust scores. We'll be sharing the findings with you over the next few ads. Watch this space for our entire campaign. Or log on to www.aim.org.in

mudra 6649

MAGAZINES ☐ENGAGE ☐CONNECT ☐WORK

Association of Indian Magazines

Playing with Fire

The first time she saw a rocket was during a school visit to the Thumba Equatorial Rocket Launching Station in Thiruvananthapuram, when she was in Class VII. **TESSY THOMAS**, 49, Project Director Mission at the Defence Research and Development Organisation (DRDO), and a key figure behind the successful launch of Agni-V, India's latest intercontinental ballistic missile (ICBM), knew little about missiles and rockets till then. The indigenously built Agni-V, named after the Hindu god of fire, has a range of 5,000 km – longer than any developed by India in the past – and puts the country on par with China in missile capability. Indeed, Thomas has been involved in all the Agni programmes so far.

Tessy Thomas
Project Director Mission, Agni-V

Hailing from Alappuzha, Kerala, Thomas holds a Masters in Technology from the Defence Institute of Armament Technology, Pune. She is also an MBA in Operations Management from the Indira Gandhi National Open University. On her success in a field that draws few women and has fewer still reaching the top, Thomas has maintained: "Science knows no gender." When she joined the DRDO in 1988, women comprised just three per cent of the workforce, which has since risen to 15 to 20 per cent..

Thomas considers herself lucky to have had a chance to work with her role model Dr A.P.J. Abdul Kalam, India's 'missile man' and former president, early in her career. Kalam was the director of DRDO when she joined. Those were also the days when work on the Agni missile programme had just started. "I was very junior then, but it was the beginning stage and we had the opportunity to be present at all the reviews and that is how the interaction started," she says. It was Kalam who placed her in the group carrying out the navigation and guidance work for the Agni missile programme.

She calls her job a "techno-managerial" one. "I have a very committed team of scientists," she says. "My job is to make them understand the magnitude and the responsibility of their task. Once they are aware of it, the thrill of doing it gives them satisfaction."

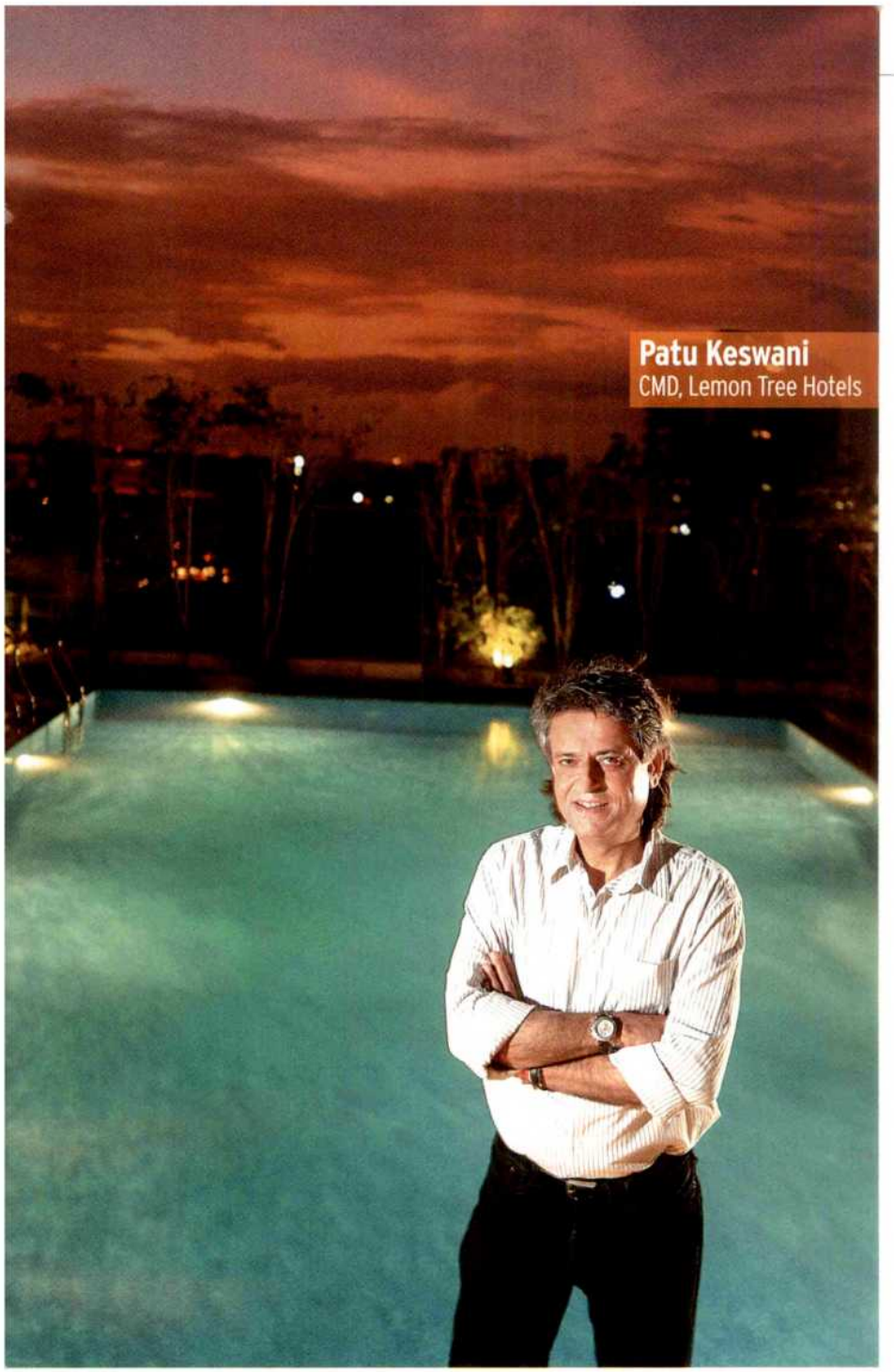
Like many successful women, she is a multitasker, at ease both in the kitchen and in the laboratory. She likes to cook, and carries her lunch with her to work. Typically, her day starts between 5 and 6 a.m. She puts in long hours in the office: 10 to 12 most days, sometimes more. She says she is lucky to have a family which is supportive and understands her work compulsions. To relax, she watches television, enjoying the family serials.

She is currently working on the next stage of the Agni mission, that of technology development in the area of Multiple Independent Re-entry Vehicles (MIRVs). She also has a long-pending personal goal. "I have just not been able to complete my Ph.D and in the next one year want to do so," she says.

Asked for advice to young women keen to enter the same field, she notes it is no picnic. "This is a very challenging field. There is a lot of knowledge around and you have to be willing to learn and stay dedicated to the job," she says. Indeed, she attributes her own success to her "willingness to learn".

E. KUMAR SHARMA

VIVAN MEHRA/www.indiatodayimages.com



Patu Keswani
CMD, Lemon Tree Hotels

Expanding the Middle

"There are no big-brand mid-market hotel companies in India," says **PATU KESWANI**, Chairman and Managing Director of the Lemon Tree chain of hotels. Isn't Lemon Tree itself one? Even if it is not, the ₹650 crore deal Keswani recently swung with global pension fund managers APG to build 35 hotels across the country, will surely make it so. Keswani, who started with a single hotel in Gurgaon 10 years ago, currently runs 16. Apart from the APG deal, he has another eight in the pipeline. "The focus over the next four years will be to create supply and build brand, then customers will come on their own," he says. "We want to replicate the low-cost airlines' model in hospitality."

MANU KAUSHIK

Pass Muster

If you want to study at a business school overseas, you have to appear for the Graduate Management Admission Test (GMAT). Your GMAT score will determine the admission opportunities you get. **DAVID A. WILSON**, president and CEO of Graduate Management Admission Council (GMAC), the body that administers the GMAT, was in India recently to announce some major changes in the format of the exam, which will now include a sectio on integrated reasoning. Wilson also revealed that the official GMAT guide will soon be printed and published from India bringing down its price to ₹1,499 from ₹12,500 earlier.

SHAMNI PANDE

SHEKHAR GHOSH

David A. Wilson
President/CEO, GMAC

ADITYA KAPOOR

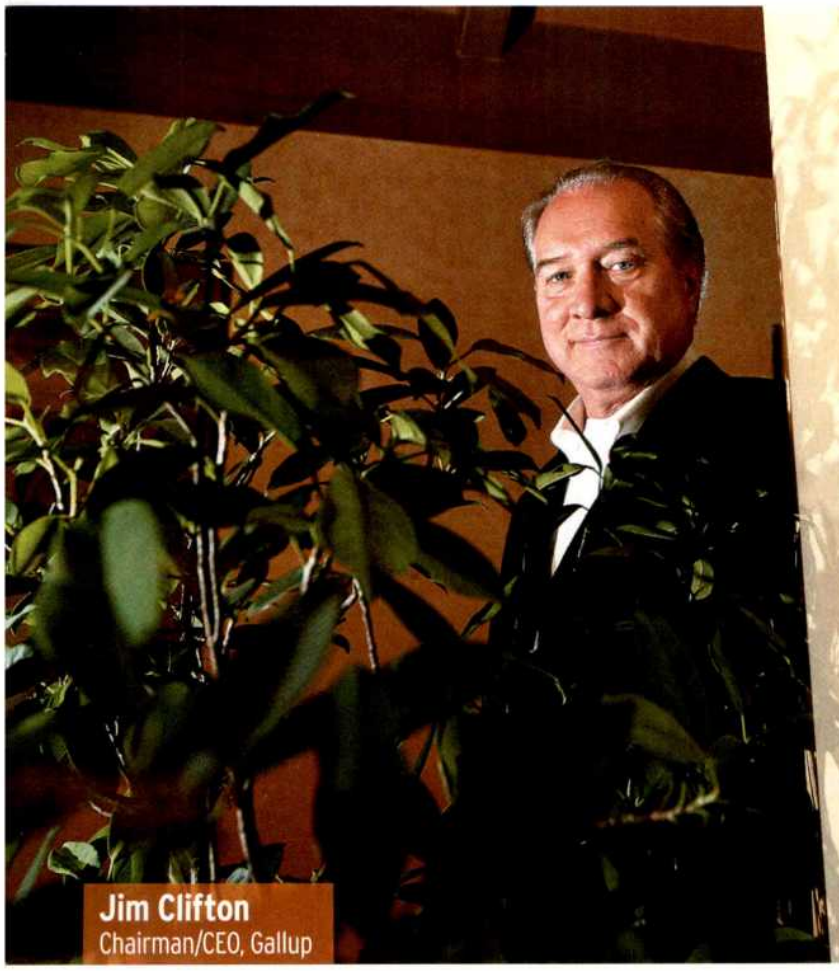
Abheek Anand
Co-founder, Tagtile

SHEKHAR GHOSH

Facing the Future

Having sold his San Francisco-based start-up, the customer loyalty service Tagtile, to Facebook recently, **ABHEEK ANAND**, 32, is returning to the US as Product Manager for the social networking giant. "When I launched my start-up in March last year, I had never dreamed that an acquisition would come in a year," he says. "No start-up would." Does it bother him to have given up control? "If it weren't a networking giant like Facebook, I wouldn't have considered selling," says the IIT Delhi and Stanford University alumnus. Having also acquired Instagram, another mobile application start-up valued at $1 billion, Facebook, perhaps, wanted to cash in on Tagtile's popularity with brands. Asked to compare his start-up's worth with that of Instagram, Anand bursts out laughing.

TASLIMA KHAN



Jim Clifton
Chairman/CEO, Gallup

Poll Star

If he had not found his métier, polling people, **JIM CLIFTON** would probably have been happy being a cowboy. The Chairman and CEO of Gallup, the company that is a byword for public opinion research, has had a varied career, to put it mildly. "I did a whole bunch of things, including being a lifeguard, stacking books at a store, working in construction and in a youth prison," he says. Clifton was in India recently to unveil Gallup's global Wellbeing Index, which showed 31 per cent of Indians felt they were 'suffering'. Clifton also worried about the finding that showed only eight per cent of Indians were 'engaged' with their jobs. "I am not sure Mother Nature made enough good managers to manage the world. There is such a scarcity of the resource," he adds.

SHAMNI PANDE

Energetic High-flier

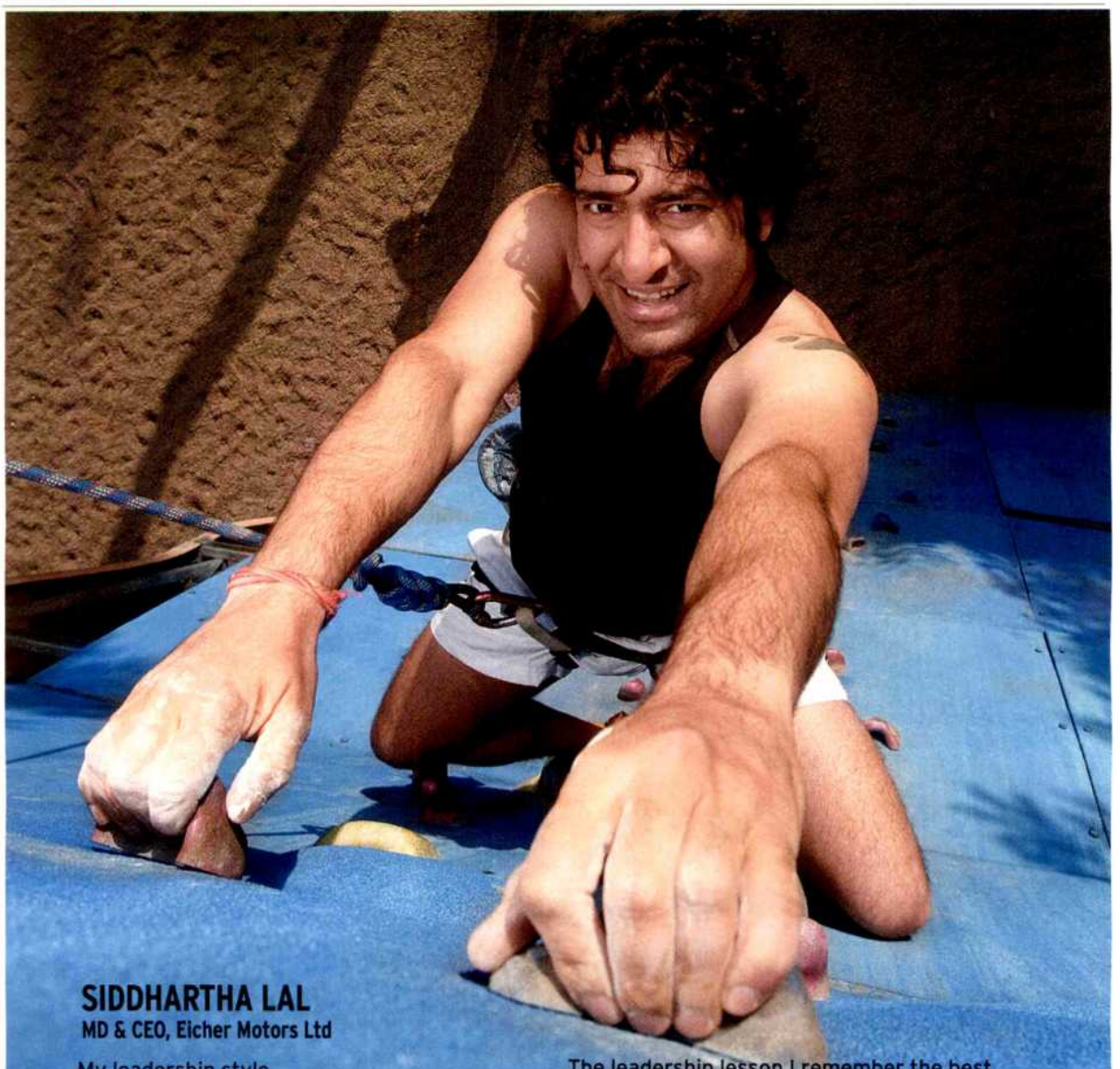
After 23 years at GE, which culminated in his stint as CEO of GE's energy business in India, **KISHORE JAYARAMAN** moves to Rolls-Royce India as President, where he will help develop the aero engines maker's manufacturing and engineering service presence in the country. Last year, Rolls-Royce India entered into a joint venture with Hindustan Aeronautics Ltd to make components of civil aero engines, marine, and energy gas turbines. "This is an exciting time for Rolls-Royce and its partner in India," says Jayaraman. ◆

MANU KAUSHIK

ADITYA KAPOOR

Kishore Jayaraman
President, Rolls-Royce India

PARK AVENUE



VIVAN MEHRA/www.indiatodayimages.com

SIDDHARTHA LAL

MD & CEO, Eicher Motors Ltd

My leadership style

- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above + Disruptive

The political leader I admire the most
None

The business leader I admire the most
Steve Jobs

The leadership lesson I remember the best
Play like you have nothing to lose

A book I would recommend on leadership
The Prince by Niccolo Machiavelli

The difference between a manager and a leader
Efficient manager + innovative leader = great company

All good managers are good leaders
No

As told to N. Madhavan

airtel business

a change that will generate more smiles per cubicle

airtel enterprise services is now airtel business

To raise your organization's smile quotient,
email us at business@in.airtel.com or visit us at www.airtel.in/business

ColorPlus

THE MORNING CROSSWORD.

Dress up to work in checked shirts with plaid patterns. Team them with light brown chinos, leather belts and suede shoes.

Complete the look by brooding over 12 down.

www.colorplusonline.com

lenovo® FO
THOSE
WHO DO

SUB-ZERO TEMPERATURES.
ANALYSING GLACIAL MOVEMENTS.
NO TIME FOR COLD FEET.

THE LENOVO® THINKPAD® IS BUILT TO TAKE ON ANY CHALLENGE.
REASON WHY THE CENTRE FOR SEVERE WEATHER RESEARCH (U.S.)
RELIES ON IT FOR ITS CRITICAL MISSIONS.

- Powered by 2nd generation Intel® Core™ processors
- Passes 8 military-grade tests
- Built-in innovations like Active Protection System™ and spill-resistant keyboard
- Boots up in under 10 seconds with RapidBoot Technology

lenovo ThinkPad No.1 NOTEBOOK FOR LARGE ENTERPRISES*

WWW.LENOVO.COM
corpsales@lenovo.com

intel inside CORE i3 | intel inside CORE i5 | intel inside CORE i7

This image is a creative representation and not an actual shot.

*IDC's Worldwide Quarterly PC Tracker Q4 2011, for shipments in the Q2-Q4 2011 to businesses of 500 employees or more. © Lenovo 2012. All rights reserved. Lenovo, the Lenovo logo, For Those Who Do, ThinkPad and Protection System are trademarks or registered trademarks of Lenovo. Intel, the Intel logo, Intel Inside, Intel Core and Core Inside are trademarks of Intel Corporation in the U.S. and other countries. Lenovo reserves th to alter product offerings and is not responsible for photographic or typographic errors. Product images are just for reference and might not resemble the actual product.

TELECOM: IN TEARS 56

EXPORTERS' PRICKLY HEDGE 48

BALLMER AIMS AT GOOGLE 80

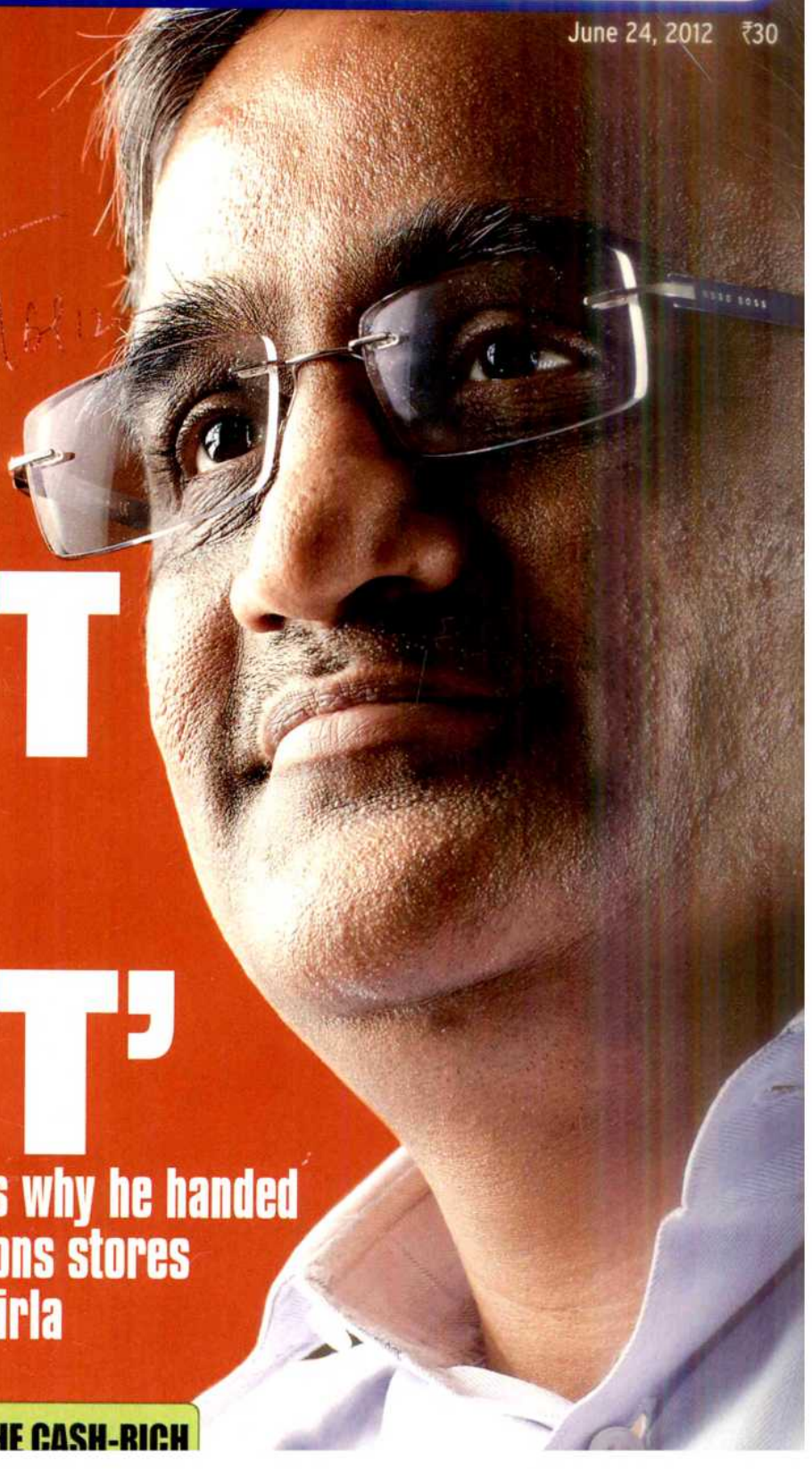
HBR EXCLUSIVE REPEATABLE BUSINESS MODELS

business today

for managing tomorrow

THE INDIA TODAY GROUP

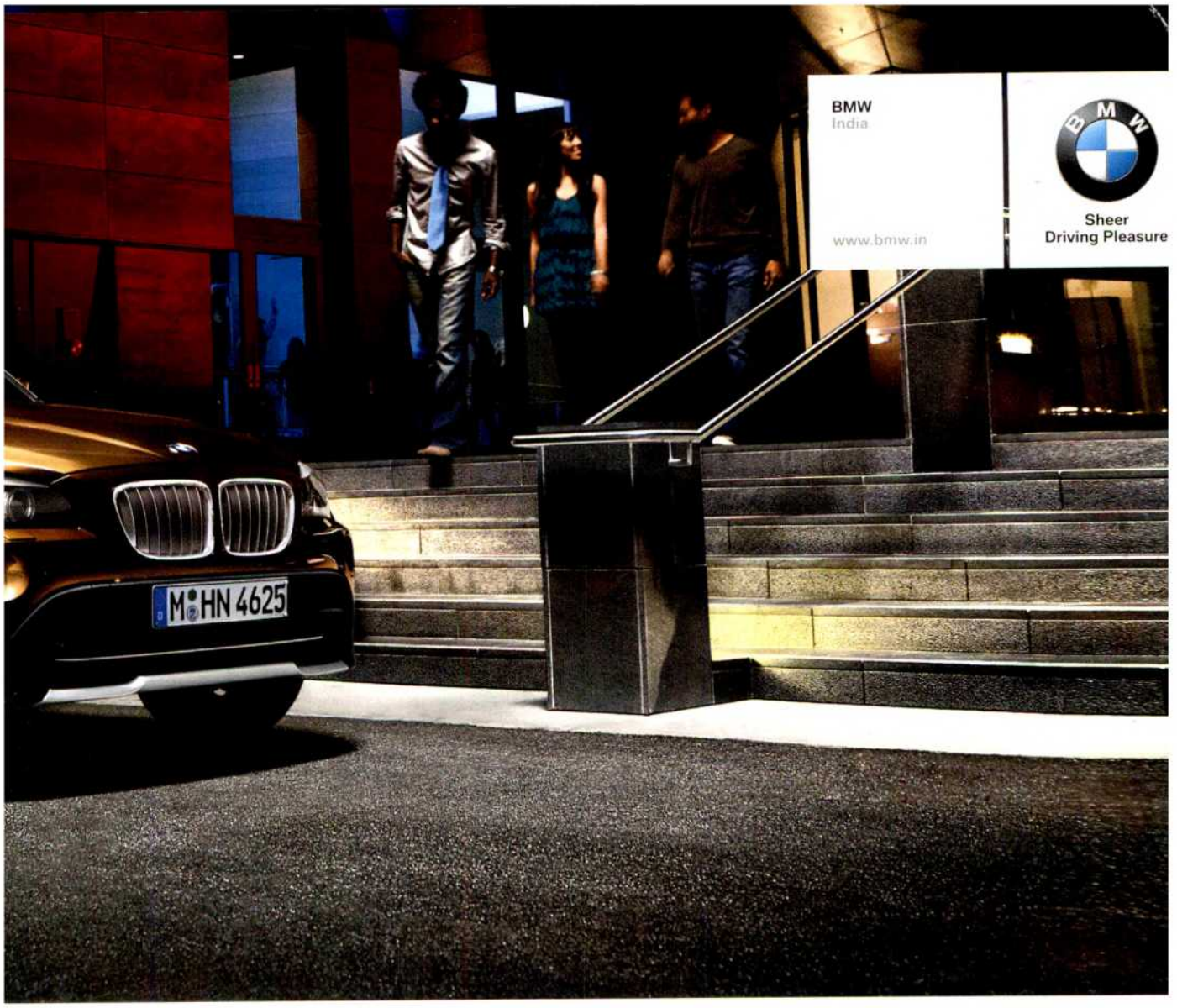
June 24, 2012 ₹30



'WE LOST THE PLOT'

Kishore Biyani reveals why he handed control of his Pantaloons stores to Kumar Mangalam Birla

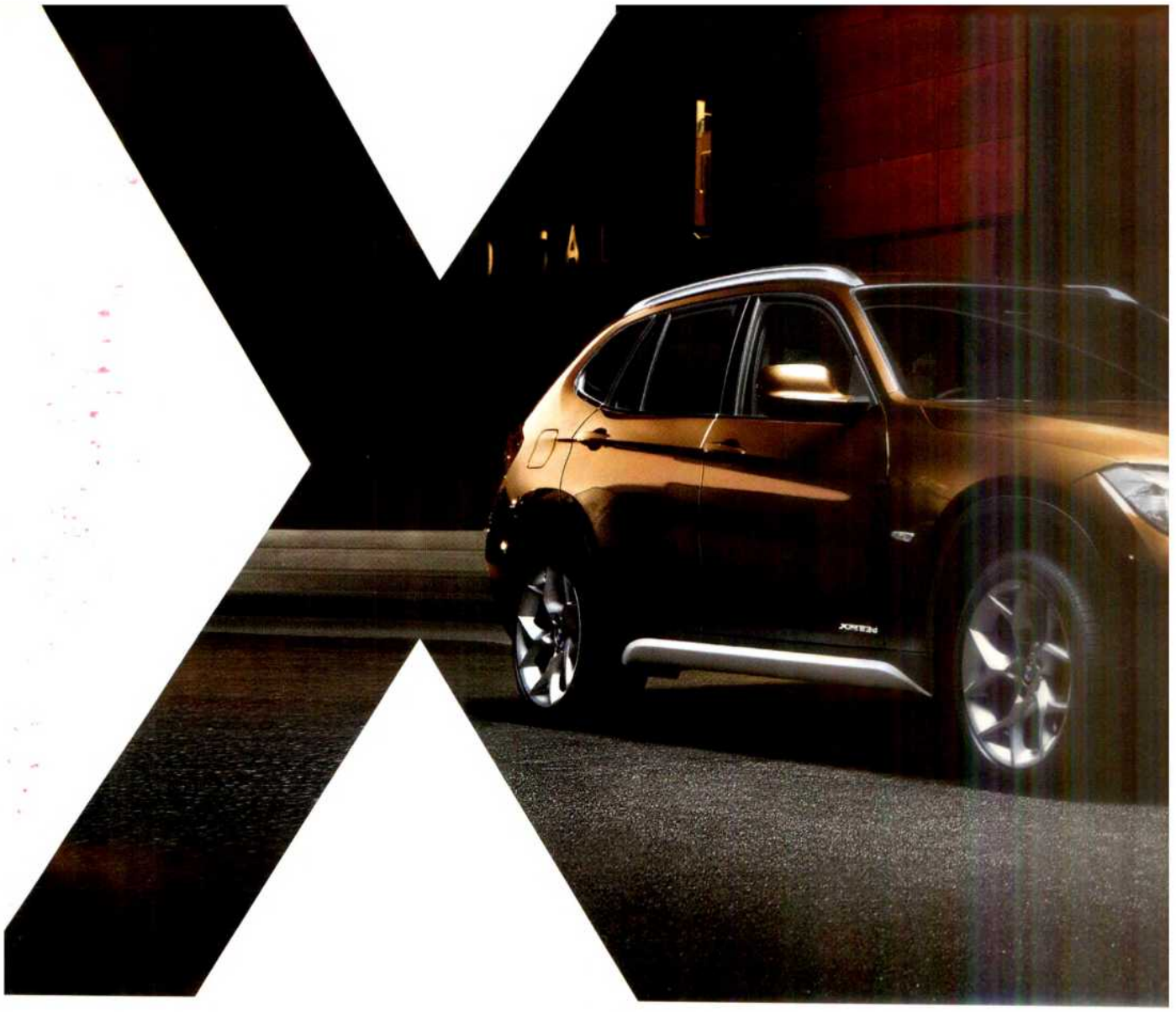
PLUS: WHY RETAIL IS FOR THE CASH-RICH



'or more information or a test-drive, kindly contact the BMW Customer Interaction Centre at 1800 102 2269 or SMS BMW X1 to 57333.
'or corporate enquiries please write to Corporatesales.India@bmw.in

www.facebook.com/bmwindia

erformance data as measured in the emission test done for BMW X1 sDrive20d under controlled conditions of environment, driving cycle, fuel, etc. as specified in Rule 115 of Central Motor Vehicle Rules, 1989. The model, equipment and possible vehicle configurations illustrated in this advertisement may differ from the vehicles supplied in the Indian market.



LIVE THE X.

Infuse life with spontaneity everyday with the BMW X1. Bend the rules, look for detours along the shortest route, discover new passions, experience freedom, rule the urban jungle – Live the X.

BMW X1, the world's favourite compact luxury sports activity vehicle (SAV). Equipped with a powerful diesel engine (177hp) in a lightweight body, the BMW X1 delivers outstanding fuel efficiency (15.2 km/l of diesel)* and features rear wheel drive which delivers optimized driving dynamics. The long wheelbase of the BMW X1 ensures that you and your friends can comfortably experience Sheer Driving Pleasure.

BMW X1. THE WORLD'S FAVOURITE COMPACT LUXURY SAV.

BMW EfficientDynamics
Less consumption. More driving pleasure.

IWC Pilot.
Engineered for aviators.

IWC
SCHAFFHAUSEN
SINCE 1868

And everything looks good.

Pilot's Watch Chronograph TOP GUN. Ref. 3880: Contrary to what you might think, a pilot's life is full of hardship. Whether he's cruising at 30,000 feet or stuck on an aircraft carrier far from home, there's plenty he has to leave behind. One thing he'll never part with, however, is his IWC, and who could blame him? It comes in a 46-mm case made of rugged high-tech ceramic and titanium together with displays that could easily come straight from the cockpit. And that's not something he'll give up in a hurry. **IWC. Engineered for men.**

Mechanical chronograph movement | Self-winding | 68-hour power reserve when fully wound | Date display | Stopwatch function with minutes and seconds | Flyback function | Small hacking seconds | Soft-iron inner case for protection against magnetic fields (figure) | Screw-in crown | Sapphire glass, convex, antireflective coating on both sides | Water-resistant 6 bar | Ceramic

New Delhi – Johnson Watch Company Pvt ltd. +91 11 4151 3121 / 10 - +91 11 2464 2255 / 99 - +91 11 4609 8205 / 06
Mumbai – Time Avenue +91 11 2651 5757 – Dia India +91 22 2204 4400 / 2299
Chennai – The Helvetica +91 44 2846 4095 / 96 / 97
Kolkata – Exclusive Lines +91 33 2282 0626 / 0597
Hyderabad – The Helvetica +91 40 6455 5088

India's No.1 TRUSTED BRAND
Power of Trust
Brand Trust Report 2012

India's No.1† AIR CONDITIONER

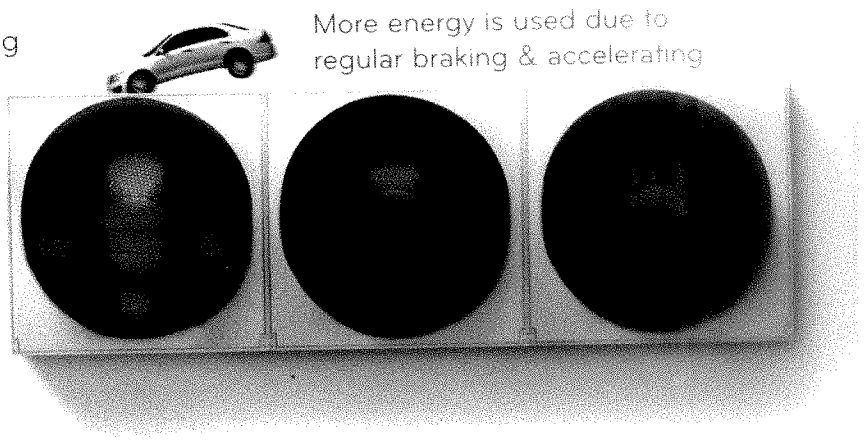
LG
Life's Good

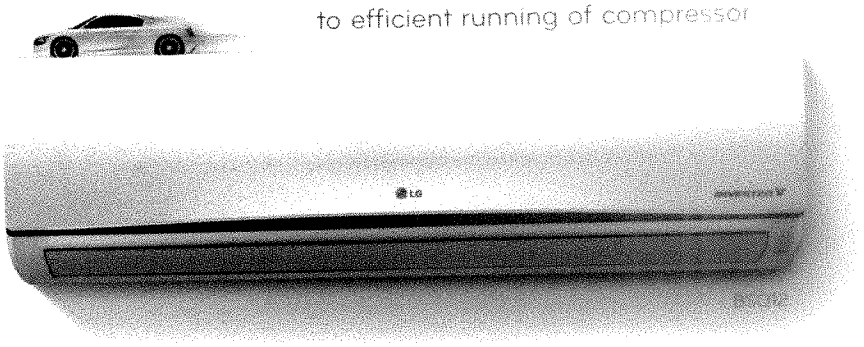
LG AIR CONDITIONERS WITH INVERTER V TECHNOLOGY, COOLS 1.7 TIMES* FASTER, YET SAVES UPTO 66%* ENERGY

Cars consume more fuel when on a constant braking and acceleration. The same applies to Air Conditioners that go on and off repeatedly. The new LG Air Conditioners with Inverter V Technology, its smart compressor adjusts its speed to suit your cooling requirement. So it gives you 1.7 times faster cooling and saves upto 66% more energy. Keep cool while saving energy.

INVERTER V

www.lg.com/in





Why LG Inverter AC is better?*

Model No.	Tonnage Range	Best Cooling	Lowest Input	Highest Air Flow	Lowest Indoor Noise
		(EER/COP)	(Watts)	(upto Ft)	(dB)
BSQ12	0.2~1.2	3.43	990	20	19
BSQ18	0.3~1.7	3.34	1560	20	29
BSQ24	0.3~2.0	3.38	1780	20	31

LG 24 x 7 CALL CENTER
1800-180-9999 (Toll Free) 5757554 (Send SMS) www.lg.com serviceindia@lge.com www.facebook.com/lifesgoodpage www.twitter.com/LGIndiaTweets
To know more about LG, visit www.lg.com For Corporate/ Institutional enquiries, please write to enquiries@lgindia.com

Regd. Office: LG Electronics India Pvt. Ltd., A-27, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi-110044.

*India's Most Trusted Consumer Durable Brand as per 'Brand Trust Report 2012'. The symbol mark is owned by Trust Research Advisory. The words are derived from 'Brand Trust Report 2012' interpreted accordingly and are not meant for any claims. †India's No. 1 Air Conditioner Brand as per GFK Nielson India Retail Store Audit Report, Jan'11-Dec'11 Urban India report (Total Panel Market). Images shown above are for representation only. *Data shown above is based on tests conducted by LG in-house under test conditions. Data shown above is in comparison with non-inverter model.

From the Editor

On June 1, as the mercury hit 47 Celsius and turned Delhi's roads – or what passes for them in most parts – into pancake griddles, the government released a report that feebly tried to suggest remedies for the human-resource mess in Air India. The same day there was bad news about very weak export growth in April. Data released a day earlier showed the economy had grown at its slowest pace in nine years. That coincided with a nationwide strike called by opposition parties to protest a swingeing rise in petrol prices. The rupee had fallen for nine consecutive weeks. At this rate, one rupee looks like it will equal one Japanese yen in a few weeks, and some pundit in India is sure to declare that we have achieved parity with the Japanese economy. Prime Minister Manmohan Singh, fresh back from Myanmar, is really concerned – on that Friday evening he chaired a meeting of his economic ministers to discuss exports of skimmed milk powder.

That same morning a visiting American think-tanker told me that many US companies in India who had "hung in there" were readying exit plans; new investors who wanted to come in were looking instead at Brazil, or the newly attractive CIVETS group – Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. "There is a feeling that foreign investors are being actively harassed in India," the visitor said. Retroactive taxation, harsh and hubristic talk by politicians and bureaucrats, and a near-certain halt to all reforms until the 2014 general elections added to the gloom that has hung over Incredible India. Not forgetting the craven rollback of the decision to permit foreign direct investment in multi-brand retail earlier this year.

That decision has had some serious repercussions, as Kishore Biyani admits in his candid and honest interview starting on page 64. When Biyani, a true-blue entrepreneur who built a retail empire, had to sell a controlling stake in his flagship Pantaloon Retail store chain to the Aditya Birla Group, it must have been a very tough choice to make. But debt at his Future Group was rising inexorably and foreign collaborations – and the funding they would bring with them – had been snatched away by a weak and indecisive government. High interest rates, slowing consumer spending, and the thicket of licences that a retailer needs to hack his way through all combined to drive Biyani into Birla's arms. That embrace is not a hostile one. Pantaloons is just one part of his operations, and Biyani is a gutsy, quick-thinking man who has very big plans in the food sector. In his autobiographical *It Happened In India*, Biyani wrote five years ago: "Entrepreneurship is about thinking big, believing in your own ability and going ahead with huge risks even if you are aware that some of the ventures may not be successful." Senior Editor Suman Layak wrote the main cover story on the snake-pit of Indian retail. But here's the thing – with the right combination of cash, charm and chutzpah, you can be a very successful retail biggie.

You will find a lot to chew on in this edition of *Business Today*. Don't miss the tale of the telecom *chakravyuha* on page 56; or the feisty conversation with Microsoft's Steve Ballmer on page 80; or Photo Editor Vivan Mehra's trawl through the innards of IndiGo Airlines from page 84. Our Focus section, starting on page 16, is chock-a-block with stories on whistle-blowers, the government's white paper on black money, GDP data, the petrol price hike, and much more. We give you enough information "for managing tomorrow" as our logo's subtext says. I hope tomorrow's a better day.

Chaitanya Kalbag

chaitanya.kalbag@intoday.com
www.businesstoday.in/editor

business today

http://www.businesstoday.in

Editor-in-Chief: Aroon Purie
Chief Executive Officer: Ashish Bagga

Editor: Chaitanya Kalbag
Managing Editor: Josey Puliyenthuruthel
Executive Editor: Suveen K. Sinha
Deputy Editors: Debashish Mukerji, K. Sai Srinivas
Special Projects Editor: Alokesh Bhattacharyya
Assistant Editor (Web): Anika Gupta

CORRESPONDENTS
Senior Editors: Anand Adhikari, Suman Layak, N. Madhavan, Shamni Pande, Sanjiv Shankaran
Senior Associate Editor: Sebastian P.T.
Associate Editors: K.R. Balasubramanyam, Shweta Punj, E. Kumar Sharma, Anusha Subramanian, Goutam Das
Assistant Editor: Rajiv Bhuva
Special Correspondents: G. Seetharaman, Manu Kaushik, Taslima Khan, Anilesh Mahajan, Sunny Sen, Geetanjali Shukla
Correspondents: Anand J., Manasi Mithel, Dearton Thomas Hector

COPY DESK
Senior Editor: Uma Asher
Associate Editor: Allan Lasrado
Chief Copy Editor: Gadadhar Padhy
Copy Editors: Basudha Das, Roopali Joshi

PHOTO DEPARTMENT
Photo Editor: Vivan Mehra
Deputy Chief Photographers: Shekhar Ghosh, Deepak G. Pawar
Senior Photographer: Aditya Kapoor
Principal Photographer: Rachit Goswami
Photographer: Nishikant Gamre
Photo Researcher: Palak Neb

ART DEPARTMENT
Art Director: Kapil Kashyap
Deputy Art Director: Rajat Baran Chakravartty
Assistant Art Directors: Anita Jaisinghani, Anand Sinha
Senior Visualisers: Vikas Gupta, Santosh Kushwaha, N. Ravishankar Reddy

PRODUCTION DEPARTMENT
Chief of Production: Dinesh Sachdeva
Production Coordinators: Narendra Singh, Rajesh Verma
Senior Supervisor: Rajkumar Wahi
Senior DTP Designer: Mohammed Shahid

RESEARCH DEPARTMENT
Librarian: Vijaylakshmi Vardan
Assistant Librarian: Satbir Singh

Group Business Head: Manoj Sharma
Associate Publisher (Impact): Anil Fernandes

IMPACT TEAM
Senior General Managers: Sonal Pandey (West & South), Sunil R. (Bangalore), Kaustav Chatterjee (East), V. Somasundaram (Chennai), Jitendra Lad (West)
General Manager: Nilesh Kadam (North)

Marketing: Vipul Hoon, General Manager; Intekhab Aslam, Brand Manager

Head-Consumer Services: Poonam Sangha, Senior General Manager

News-stand Sales: D.V.S. Rama Rao, Chief General Manager; Vinod Das, Senior General Manager (National); Rajesh Menon, General Manager (West); Deepak Bhatt, General Manager (South); Joydeep Roy, Manager (East); Rakesh Sharma, General Manager (Operations)

THE INDIA TODAY GROUP

Vol. 21, No. 13, for the fortnight June 11-24, 2012.
Released on June 11, 2012.

● Editorial Office (Delhi): 5th Floor, Videocon Tower, E-1, Jhandewalan Extn., Delhi-110055; Tel.: 011-23684812-15; Fax: 011-23684819; E-mail: btoday@giasdl01.vsnl.net.in ● Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel.: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel.: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel.: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel.: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel.: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel.: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off. C.G. Road, Ahmedabad-380006; Tel.: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel.: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no:1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com

● Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-4019500; Fax: 0120-4019664 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel.: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no:1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com

© 1998 Living Media India Ltd. All rights reserved throughout the world. Reproduction in any manner is prohibited. Published & Printed by Ashish Bagga on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana). Published at K-9, Connaught Circus, New Delhi-110 001.

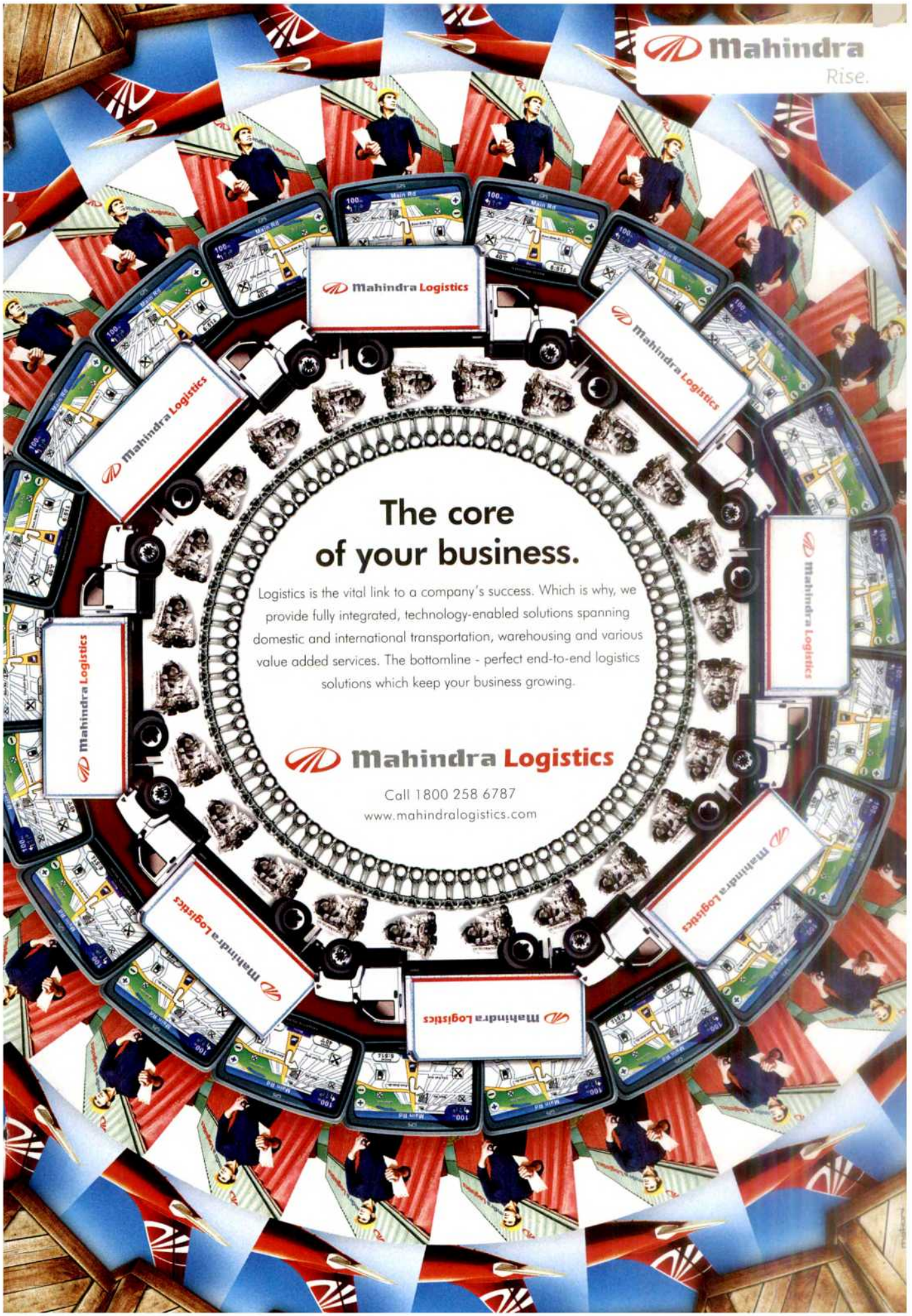
● Business Today does not take responsibility for returning unsolicited publication material.

All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only

SYNDICATIONS TODAY

For **reprint rights and syndication** enquiries, contact syndications@intoday.com or call +91-120-4078000

www.syndicationstoday.in


Mahindra
Rise.
Mahindra Logistics
The core
of your business.
Logistics is the vital link to a company's success. Which is why, we provide fully integrated, technology-enabled solutions spanning domestic and international transportation, warehousing and various value added services. The bottomline - perfect end-to-end logistics solutions which keep your business growing.
Mahindra Logistics
Call 1800 258 6787
www.mahindralogistics.com

REVOLUTIONS IN RETAIL

Kishore Biyani opens up to *Business Today* Editor **Chaitanya Kalbag** about debt, the Pantaloons deal, and plans for future growth at: ▸
businesstoday.in/biyani-speak

Microsoft Getting Back Its Lost Mojo

Microsoft's **Steve Ballmer** chats with *BT*'s **Josey Puliyenthuruthel** and **Sunny Sen**. Read the full interview at: ▸
businesstoday.in/ballmer-speak

PODCAST

Senior Editor **Shamni Pande** on how *Business Today* identified some of the country's most promising local brands.
businesstoday.in/brands-podcast

PERSPECTIVES

Growth Lull

India's growth slips to a new low, but the government remains paralysed, says **Shweta Punj**. ▸
businesstoday.in/growth-lull

Rescuing the Rupee

Intervention by the Reserve Bank of India alone might not be able to halt the rupee's depreciation, says **Rajiv Bhuva**. ▸
businesstoday.in/rupee-rescue

Petrol Practicalities

Blame the depreciating rupee for the petrol price hike, says **Anilesh S. Mahajan** ▸
businesstoday.in/petrol-hike

BLOGS

G. Seetharaman
Building Blocks

Why Coal India cannot do the government's bidding.
businesstoday.in/seetharaman

Uma Asher
Word Mentality

It is not possible to have a guilty conscious, even though Indians say so.
businesstoday.in/uma

Taslima Khan
Startup Today

For Indian start-ups in game development, the hunt is on for game designers.
businesstoday.in/startuptoday

Vivan Mehra
Shot Down

Getting the *BT*'s Desi Boys cover shot was a long and arduous process.
businesstoday.in/vivan

business today

SMART READER CONTEST

Answer this simple question by June 28 and get a chance to win a Reebok bag.

The market for organised retail in India is valued at:
(a) $500 billion
(b) $325 billion
(c) $30 billion

Correct answer to May 27 issue's question:
How much is the Indian private sector's current investment in defence manufacture?
(a) Less than ₹2,500 crore
Winners: Ajay Goyal (Jaipur), Sudesh Bali (Ludhiana), Rahul Singh (Kanpur)

SMS BTQ <space> a, b or c (your answer) to **52424** or Email your answers with contact details to **win@businesstoday.in**

Winners were chosen by random selection from 252 correct responses

SIEMENS

Building cities worth building a future in.

Siemens answers are making cities more lasting, livable and prosperous.

The growth story of a country is written in its cities. Which is why, Siemens is helping Indian cities become places where people and businesses can thrive. Like in Mumbai, our propulsion and electrical systems are taking the stress out of travelling in the local trains. In another part of the city, buildings like the Oberoi Mall in Goregaon are discovering that energy consumption and costs can be lowered without sacrificing comfort. Doctors at Medicity in Delhi are using our advanced medical scanners to diagnose critical diseases earlier. Helping patients save costs and more importantly, live healthier for longer. For a country looking to power itself into the future, Siemens has the answers that last.

Official Partner

INFINITE OPPORTUNITIES | GERMANY + INDIA 2011–2012

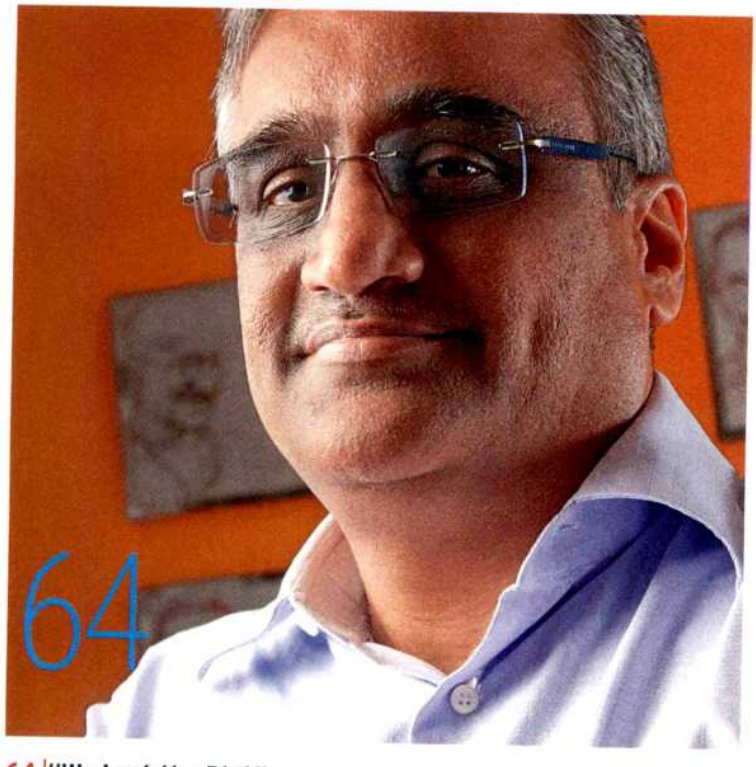
siemens.com/answers

CONTENTS

COVER BY KAPIL
PHOTOGRAPH BY RACHIT GOSWAMI

JUNE/24/2012
VOLUME 21/NUMBER 13

COVER STORY



64 | **"We Lost the Plot"**
Kishore Biyani reveals why he sold a controlling stake in his flagship Pantaloons stores to the Aditya Birla Group

68 | **The Devil Is in Retail**
Only the cash-rich will survive

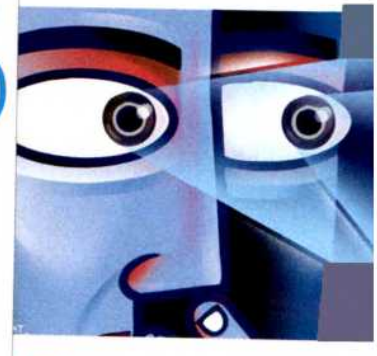
78 | **What Problems?**
While retail chains fret, cash and carry businesses are gung-ho

UPFRONT

12 | **Quick takes on major events**

FOCUS

16 | **Whistling in the Wind**
Why employees in Indian companies have a hard time exposing fraud



22 | **Whitewash**
Pranab Mukherjee's white paper on black money falls short on several counts

26 | **Descent Towards Disaster**
Government inaction results in the worst macroeconomic indicators in years

30 | **Needless Pain**
The steep petrol price hike will not do much for the economy

34 | **Love Thy Neighbour**
Manmohan Singh's Myanmar visit will improve economic ties

38 | **Search Versus Like**
Does Google offer advertisers a better return on investment than Facebook?

40 | **Interview with KKR Sports and Leisure chief Venky Mysore**

44 | **Graphiti: Discomfort Food**

46 | **Etcetera**

48

FEATURE

48 | Prickly Hedge
Exporters should have benefited from the depreciation of the rupee. But the sheer speed at which it fell has hurt those who hedged the currency

54 | Anatomy of a Failed Merger
The Air India-Indian Airlines 2007 merger makes for a great case study on how not to merge two entities

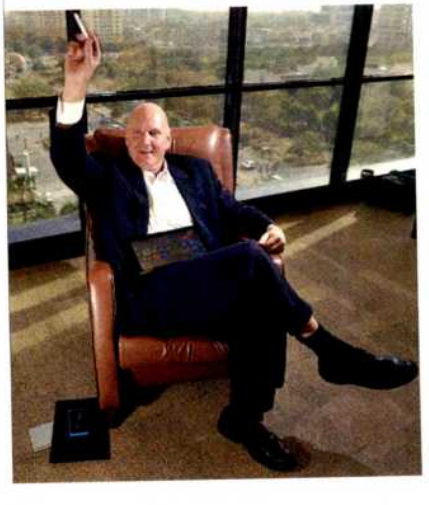
56 | Regulator without a Fan
Ex-TRAI chief **J.S. Sarma** is unlikely to be flooded with greeting cards this Diwali from the industry he regulated for three years

56

62 | Bigger Bet on Data
Bharti Airtel's decision to acquire a Qualcomm unit shows it is serious about broadband wireless

80 | Interview with Steve Ballmer
"We will beat Google in all markets," says Microsoft's CEO

80



84

PHOTO FEATURE
84 | Soaring Above the Rest
A close look at the operations of India's only profitable airline

94 | The Right Way Home
A new breed of brokers is making the homebuying experience smoother than before

98

98 | *HBR* Exclusive: The Great Repeatable Business Model
Leveraging a simple formula allows corporations to create new and more-lasting differentiation

MONEY

106 | Keys to Commodity Trading
Nine common myths about investing in this market dispelled

112

LBNL

112 | Improving Asset Quality
Companies selling breast implants are getting a boost as more and more Indian women opt for breast augmentation surgery

P-TECH
115 | Thin Is In

EXECUTIVE HEALTH
117 | Soothing the Angry Employee

BOOKEND
122 | Jazz Band Versus Orchestra

CAREERS
124 | Adapt to Conquer

126

126 | PEOPLEBUSINESS

LEADERSPEAK
130 | Sanjeev Mohanty,
MD, Benetton India

Home-bred heroes

India's growth story has myriad aspects. Your cover story, *Desi Boys* (June 10) highlights the crucial point that if India's economy has gathered strength, it is not merely due to liberalisation and the entry of foreign players. A major reason is also the success of homegrown brands such as Vi-John, Himgange, Wagh Bakri and others. All these brands have truimphed in their local markets and beaten off the challenge posed by MNCs. They offer hope that our economy will soon overcome the current slowdown.

Gayatri Biswas, *Delhi*

Diesel concern

Though Petroleum Minister Jaipal Reddy has assured that despite petrol prices having been raised, there are no immediate plans to raise diesel prices, your report *Dire Straits* (June 10) says doing so is the only way out of the current mess. The situation is indeed confusing and uncertain. I strongly feel the UPA government should take only such steps as help the people to survive these difficult times.

Ranjit Dey, *Delhi*

New Big Daddy

Nokia (*How Samsung Moved Nokia's Cheese*, May 27) has lost its top position in the market as it missed the smartphone bus. Samsung has not only made smartphones a household name, its pricing has attracted the common people who cannot afford the expensive iPhones. Let alone Nokia, Samsung is now giving stiff competition to Apple as well. I feel Nokia should re-think its strategy as Samsung has advanced very effectively.

Chip Bora, *Ghaziabad*

Passing on the Baton

Now, the Mistry Boys (May 13) was informative. It revealed the transition scenario at the Tata Group and the current status of the succession plan that will enable Cyrus Mistry to build his own team once he takes charge from Ratan Tata. Mistry has a big task ahead. He has to combine change with continuity, take a fresh look at the overall policies of the group while sustaining the grandeur of the group and upholding its values.

B. Rajasekaran, *Bangalore*

Correction

The story *Good Hair Days* (June 10, Pages 56-58) on Himgange ayurvedic oil says: "The manufacturers...do not make any medicinal claims for their product." The company, however, says the oil cures a number of ailments.

Send all your comments to editor.bt@intoday.com

www.facebook.com/BusinessToday

Oil prices set for biggest monthly drop since 2008: Good news for Congress and UPA government.
Rohit Joshi

RBI can do little to check rupee's decline: India should control its fuel and gas use to strengthen rupee against dollar.
Nebu Mathew

Deals among friends come to Kishore Biyani's rescue: Really big news
Deepak Bhatt

Well this was expected after the rupee degraded so much. @BT_India: Urgent need to hike fuel prices.
the marwari

The best letter wins ₹10,000 worth of lifestyle
YOUR STYLE YOUR STORE
GIFT VOUCHERS
GIFT YOUR LOVED ONES THE FREEDOM OF CHOICE.

HOW TO CONTACT BT

WRITE TO:
The Editor, Business Today, Videocon Tower, 5th Floor, E-1, Jhandewalan Extension, New Delhi–110055.
E-mail: letters.bt@intoday.com/editor.bt@intoday.com
Website: www.businesstoday.in
Unsolicited articles will not be returned or acknowledged.
Business Today reserves the right to edit letters for brevity and clarity before publication.

FOR SUBSCRIPTION ASSISTANCE WRITE TO:
Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) – 201 301
Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India; Toll free no. 1800 1800 100 (from BSNL/ MTNL lines); Fax: (0120) 4078080
E-mail: wecarebg@intoday.com

BT SCRAPBOOK
- React to articles in BT
- Suggest story ideas
- Share your experience as consumer or SME
- See what others have to say on our stories on scrapbook at www.businesstoday.in

BUSINESS IS GREAT BRITAIN

With low tax, less regulation and a talented workforce, the UK is one of the easiest places to start a business and access the European Union's 500 million customers. No wonder more companies set up European Headquarters here than anywhere else. Find out more with UK Trade & Investment.

Sir Richard Branson
Virgin Group

ukti.gov.uk/greatbritain/in

ANINDYA SAHA/MAIL TODAY

Mamata's Day Out: Bengal Chief Minister Mamata Banerjee (seen with the victorious Kolkata Knight Riders) was still awaiting a debt waiver package from the Centre, but the IPL win was enough to send her into a celebratory mood. The previous edition of the tournament had raked in $3.67 billion for the brands, and the bean counters are still totting up the gains for this one. As for controversies, IPL 5 scored quite well.

Corporate

In this season of price hikes, Maruti, GM and Ford reported a dip in sales in May. Tata Motors, Hyundai and M&M have gained. **Tata Motors** has reported a 136 per cent surge in consolidated net profit to ₹ 6,234 crore, thanks to **Jaguar Land Rover**, which contributed 95 per cent of the profits of its Indian parent. Capping the events, **Cyrus Mistry**, executive deputy chairman of **Tata Sons**, has been inducted as a director on the Board of Tata Motors.

The **Serious Fraud Investigation Office** will scrutinise **Reebok India**'s accounts. Parent company **Adidas**, the world's second-largest sporting goods company, had earlier announced irregularities in Reebok's India business. The quantum of fraud is pegged at ₹870 crore. *See also page 16*

Rajan Nanda and his family consolidated their control over Escorts Ltd. The revamp involved the merger of a subsidiary and two affiliates with the tractor maker. By taking their stake from 12.43 per cent to more than 41 per cent, the Nandas can avert potential hostile takeover bids.

Fortis Healthcare, led by billionaire brothers Malvinder Mohan Singh and Shivinder Mohan Singh, has hived off non-core businesses such as out-patient departments and related assets into a separate company, Religare Health Trust. The trust will be listed on the Singapore Exchange (SGX) to raise around ₹2,000 crore.

The Chairman of the Prime Minister's Economic Advisory Council, **C. Rangarajan**, seems to be the man for all seasons. After the oil ministry-Reliance Industries spat over the output of KG-D6, Rangarajan has been

CARICATURE BY SANTOSH

roped in to head a committee to review government contracts with oil and gas companies. The Planning Commission also wants him to review the Tendulkar panel methodology for estimating poverty and come up with new numbers.

The Union Cabinet has approved the National Telecom Policy 2012. Mobile users will be able to enjoy free roaming. They will also be able to retain their phone numbers even if they change their service providers anywhere in the country.

Mobile payment volumes worldwide are likely to zoom 62 per cent to over $171.5 billion this year from $105.9 billion in 2011. The number of mobile payment users will go up from 160.5 million in 2011 to 212.2 million in 2012, according to Gartner.

As Spain joins Greece's corner in the crisis-hit Euro zone, Anshu Jain has taken over as the first India-born co-chief executive of Deutsche Bank. This marks a new era in the 142-year history of Germany's largest bank.

Economy

Economic news continued to hog the headlines as India's GDP growth rate slowed to a nine-year low in the March quarter at 5.3 per cent. It is 6.5 per cent for the 2011/12 fiscal year. The HSBC India Manufacturing Purchasing Managers' Index – a measure of factory production – slipped to 54.8 in May, from 54.9 in April. Exports grew by a meagre 3.2 per cent year-on-year to $24.4 billion in April. **Finance Minister Pranab Mukherjee** said steps to address imbalances on the fiscal and current account fronts are due. For starters, the government has announced a 10 per cent cut in non-plan expenditure.

In a measure that is likely to cheer foreign investors, **Pranab Mukherjee** said the Income Tax department will not reopen cases in which assessment proceedings were finalised before April 1, 2012. The Budget proposed to amend the Income-Tax Act, 1961 with retrospective effect to tax **Vodafone**-type overseas deals that involve domestic assets.

In a breather for the **$5-billon software industry**, Finance Minister Pranab Mukherjee said that the sale of locally made software will not be subject to taxation at multiple levels.

The **Reserve Bank of India** has granted a banking licence to **Morgan Stanley**. The financial services firm may not venture into corporate or retail loans, but the move could benefit its wealth management service.

₹4,700 cr

Compensation sought by Loop Telecom from the government. The company's Mauritius-based investors have invoked an India-Mauritius treaty to seek the refund of the entry fee paid for acquiring telecom licences, release of performance bank guarantees and damages for a tarnished reputation. Loop is the third company to threaten international arbitration after Norway's Telenor and Russia's Sistema.

12%

The projected share of direct taxes in the country's gross domestic product, according to Finance Minister Pranab Mukherjee. The target for direct tax collection in 2012/13 has been set at ₹5.7 trillion.

Markets

The **Securities and Exchange Board of India** has decided to close the consent order route for offences such as insider trading and other fraudulent and unfair trade practices. The consent order mechanism allows negotiation while settling civil or administrative matters. It can result in a monetary penalty or suspension or the cancellation of registration of the wrong doer. The new norms apply to all pending and future applications.

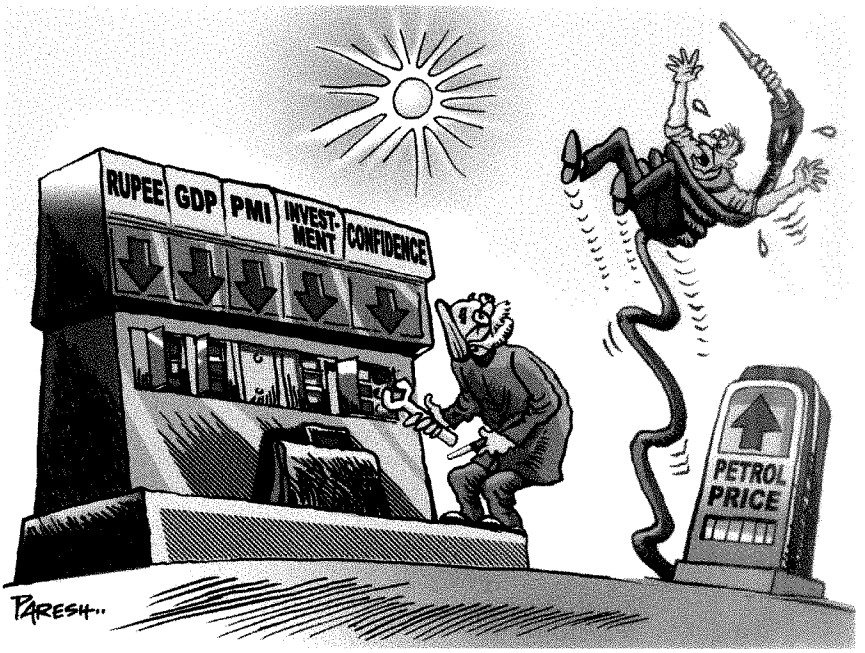
The government, in an effort to improve capital inflows, has set an **investment limit of $1 billion for individual foreign investors in corporate bonds**. It has also allowed foreign individuals to open rupee accounts, and has removed restrictions on uninvested funds.

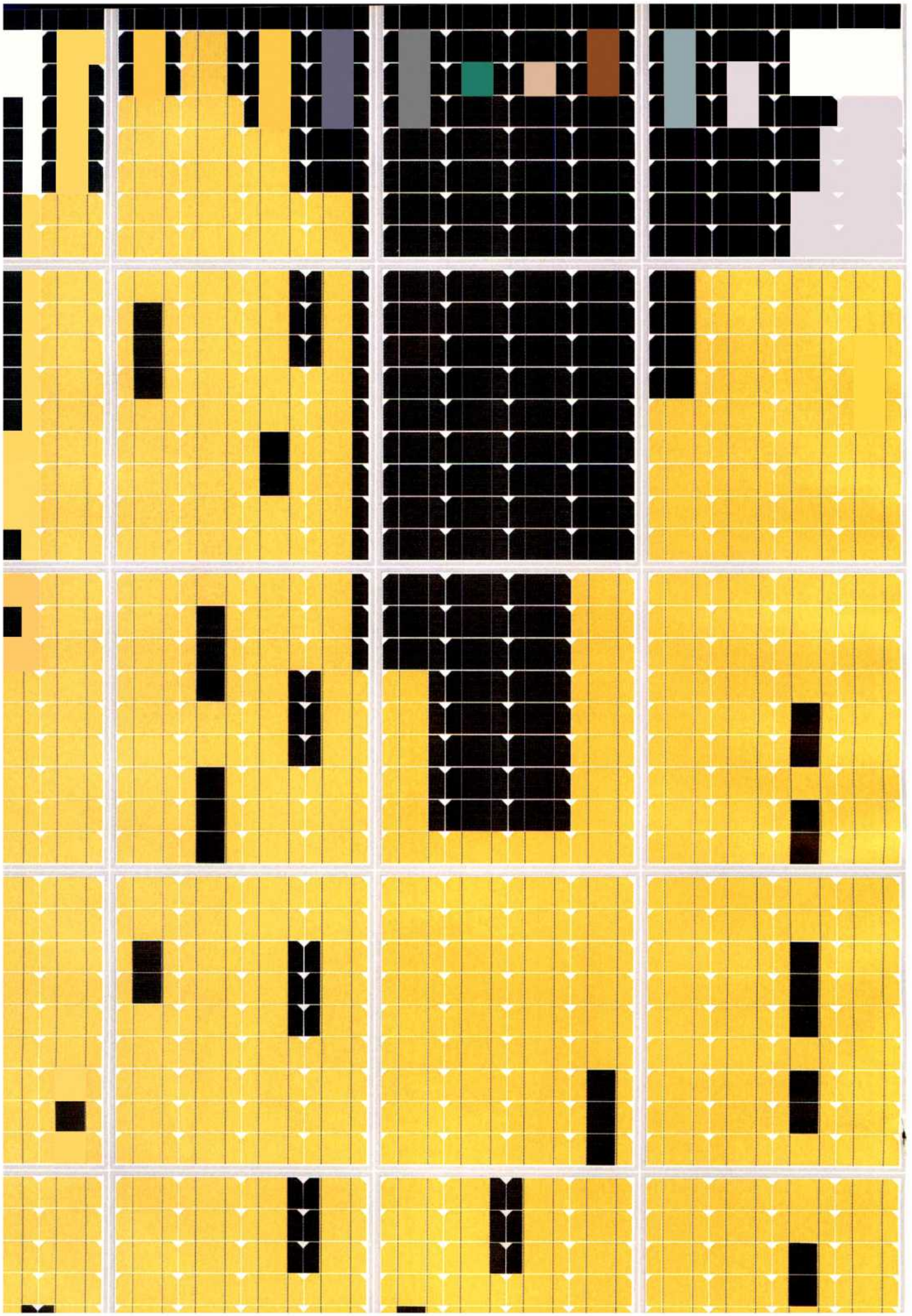
Coming Up

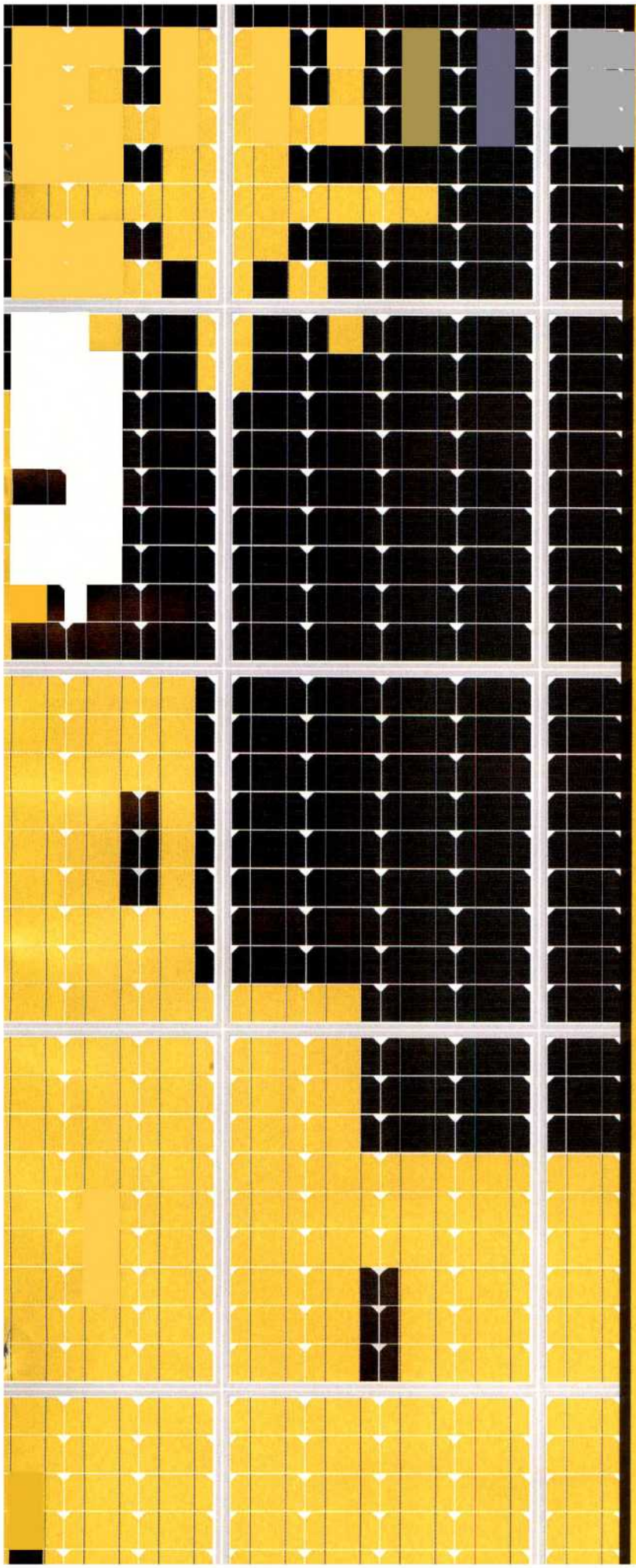
- The finance ministry has asked all state-run banks to ensure that every household has at least one savings bank account by the end of June. This will enable electronic transfers of benefits and better monitoring of government schemes.

- The State Bank of India is planning to come out with a bond issue worth about $1 billion before August.

- US Secretary of Defense Leon Panetta is seeking to win over the Indian defence establishment when he visits in early June. At the end of January, India picked French fighter aircraft over American competition.







सत्यमेव जयते

Channel Partner
Ministry of New & Renewable Energy, Govt. of India

Imagine an entire city lit up by the power of sun

Su-Kam, a globally responsible corporation, has taken the plunge to harness the power of sun and energize lives in India through Solar Commercial Power Plants, Solar Power Conditioning Units and Solar Home Lighting Systems.

Through its initiatives like 'Solar Interactive Technology,' Su-Kam enables the consumer to control and manage solar power by channelizing it through an indigenously developed software resulting in cost effective energy production.

At Su-Kam, we provide a technological basis for a positive energy turnaround and simultaneously for a world that makes life worth living - for everyone, everywhere.

Su-Kam
Ek nayi soch

Su-Kam Power Systems Ltd.
Corporate Office: Plot No. 54, Udyog Vihar, Phase VI, Sector-37 Gurgaon - 122 001 Haryana
Tel: +91-124-4170500
Fax: +91-124-4038700/1/2
Email: info@su-kam.com
Website: www.su-kam.com
SMS: 'SUKAM' to 57007
Toll free: 1800-102-4423

CRESCENT 1299/A

FOCUS

22 Whitewash
26 Touching a New Low
30 Needless Pain
34 Love Thy Neighbour

Whistling in the Wind

Employees in Indian companies have a hard time exposing fraud as whistle-blowing policies are inadequate. By RAJIV BHUVA

3%
Proportion of known fraud cases exposed by shareholders

An employee of the Gurgaon-based subsidiary of a multinational company wrote to the parent alleging that some vendors here were companies run by the Indian arm's CEO through his relatives. The parent company hired Hill & Associates, a risk audit firm, to investigate. The allegations turned out to be correct: the vendor companies were run by the CEO's relatives, and he got a share of their profits.

Unethical conduct occurs in companies everywhere, but tolerance of it has declined. Of the companies that responded to Hill & Associates's 2011 fraud survey, 49 per cent had an annual turnover of more

than $1 billion, and 69 per cent had at least 1,000 employees. The survey revealed that 89 per cent of respondents considered employees a major source of information in fraud detection. Only three per cent of known fraud cases were brought to light by shareholders or owners.

A whistle-blower is one who reveals fraud in his or her organisation to the public or to someone in authority. Unfortunately, this is hard to do in India. "Indian markets are not geared to implement whistle-blower policies," says Monish Chatrath, Executive Director in charge of risk advisory services at Mazars India, an audit and advisory firm in Gurgaon, near Delhi.

Whistle-blowing in India – especially in public sector enterprises and government agencies – can be costly. The murders of Satyendra Dubey and Shanmughan Manjunath would make most whistle-blowers think twice. Dubey, an engineer, was murdered in November 2003, after he exposed corruption in the National Highways Authority of India's Golden Quadrilateral project. Two years later, Manjunath, an official of Indian Oil Corporation, was shot for opposing an adulteration racket.

FRAUD VULNERABILITY ACROSS INDUSTRIES

Financial Services	53.13
Real Estate/ Infrastructure	29.31
Media & Entertainment	28.33
Energy & Natural Gas	28
Pharmaceuticals	26.32
Telecommunications	25
Auto/Auto Ancillary	24.59
Retail/Consumer Products	21.57
IT/Software/ IT-enabled Services	19.64

Figures indicate percentage of respondents who answered 'Yes'
Source: Hill & Associates

Perhaps one of the biggest deterrents to whistle-blowing is the fact that current laws do not guarantee protection of the whistle-blower's identity. In the private sector, too, the corporate governance guidelines of the Securities and Exchange Board of India (SEBI) recommend whistle-blower policies for listed companies, but do not require them. The Companies Bill, 2011, would make them mandatory, but only for listed companies. The Public Interest Disclosure (Protection of Informers) Bill, 2010, does not apply to the private sector at all.

Awareness about corruption is at a peak thanks to nationwide agitations for a Lokpal and the lid being blown off huge scams. Tolerance of unethical practices has reduced considerably. In Ernst & Young's (E&Y) 2012 survey on fraud in India, 68 per cent of respondents identified whistle-blowing as a highly effective tool for detecting malpractice in organisations (see "The Battle Against Fraud", *Business Today*, March 18, 2012, http://tinyurl.com/fraud-survey). The global response was lower at 40 per cent. "However, not even half of the respondent companies had a whistle-blowing mechanism in place in India," says Arpinder Singh, Partner and national leader of fraud investigation and dispute services.

Even so, whistle-blowing works, says Dinesh Anand, Partner and co-head of forensic services at KPMG India. "Out of all fraud detected, nearly 30 per cent surface due to the anonymous whistle-blower mechanism," he says.

He says whistle-blowing has uncovered even fraud that had been going on for two or three years. Chatrath of Mazars cites the case of a company in which a senior employee had been committing fraud for nearly six years, but his subordinates were helpless as there was no whistle-blowing policy. "They had no access beyond the fraudster who was their senior," he says.

The lack of regulatory requirements lets companies in India avoid making strong whistle-blower policies. Most listed companies do have such a policy, but it is rarely backed by a mechanism that makes it an effective fraud detection tool, says Singh of E&Y. Unlisted companies generally do not even have a policy.

Multinational companies usually require their Indian subsidiaries to have mechanisms in place. Indian companies that do business in other countries, too, must have them. "The Foreign Corrupt Practices Act of the US is too expensive to violate," says Anil Roy, Partner and Head of forensic investigation services at Grant Thornton India. T.V. Mohandas Pai, Chairman of Manipal Global Education Services Pvt Ltd and former Infosys board

member, says: "Regulators have forced the issue overseas, so laws are enforced." He says violators in many countries pay hefty fines.

In India, Wipro has had an ombudsman since 2003, who reports to the chairman of the board's audit committee. In 2011/12, the company received about 750 concerns, which Chief Risk Officer and Corporate Ombudsperson Alexis Samuel says is below the industry average. Wipro recently set up a 24X7 multilingual hotline and a web portal accessible from anywhere in the world. "In addition to resolving concerns raised by individuals, we have implemented quite a few systemic and policy-level corrections at the enterprise level," Samuel said in an e-mail reply to *BT*.

Many companies outsource whistle-blower communication to third parties who operate multilingual hotlines. KPMG India offers such a service, called Ethics Helpline. Seventy per cent of users are Indian companies. "Lot of private equity-backed companies have been showing interest in such services," says KPMG's Anand. Grant Thornton's Roy says Indian companies that saw little benefit in such preventive measures earlier now consider them a way to improve margins. "An efficient framework can help corporates correct or prevent risks," says Roy.

E&Y's Singh says the rationale for a third-party service is the same as for an external ombudsman: objectivity and complete reporting. "It leads to a more effective whistle-blowing mechanism and better corporate governance," he says. The E&Y survey noted that less than half of the respondents had a hotline, but nearly 90 per cent of those with hotlines said these were operated internally. Mazars's Chatrath says: "An external hotline lends credibility."

Opinion is divided regarding monetary rewards for whistle-blowers. Grant Thornton's Roy points out that government agencies such as the income tax and customs departments do have rewards schemes for whistle-blowers, but potential informants remain silent as their identity does not remain concealed. Chatrath says: "More than monetary rewards, the framework should provide security and trust." But Shalini Chakravorty, Country Manager, Hill & Associates, says monetary rewards can increase the effectiveness of whistle-blowing policies. She cites the US Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, which rewards whistle-blowers after successful judicial or administrative action. "The reward ranges from 10 to 30 per cent of what has been collected of the monetary sanctions imposed in the action or related actions," she says.

"Whistle-blowing is all about trust," says Amit Tandon, Managing Director of Institutional Investor Advisory Services, a firm that provides opinions on corporate governance issues. He adds that it requires whistle-blowers to not only trust the system, but also to be trustworthy themselves.

Effective whistle-blowing policies are difficult to implement, says Roy of Grant Thornton. "Are corporates willing to go the extra mile to make such policies successful," he asks. But more than anything else, perhaps, regulators need to take that hard step of not giving companies a choice.

ADDITIONAL REPORTING BY GOUTAM DAS AND K.R. BALASUBRAMANYAM

ESTIMATED LOSS DUE TO FRAUD

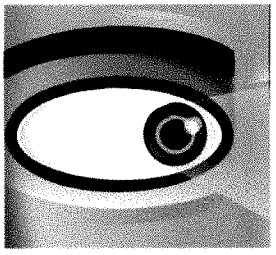
Less than $5 mn
79

$5 mn - $10 mn
9

$10 mn - $100 mn
7

More than $100 mn
5

Figures indicate percentage of respondents
Source: Hill & Associates



COMPANIES THAT ONCE SAW LITTLE BENEFIT IN FRAUD PREVENTION MEASURES NOW CONSIDER THEM A WAY TO IMPROVE MARGINS

nokia.co.in/lumia

NOKIA
LUMIA 800

OFFICE ON THE GO

With secure business applications and Office 365, you can view, edit and share documents on the go.

Outlook

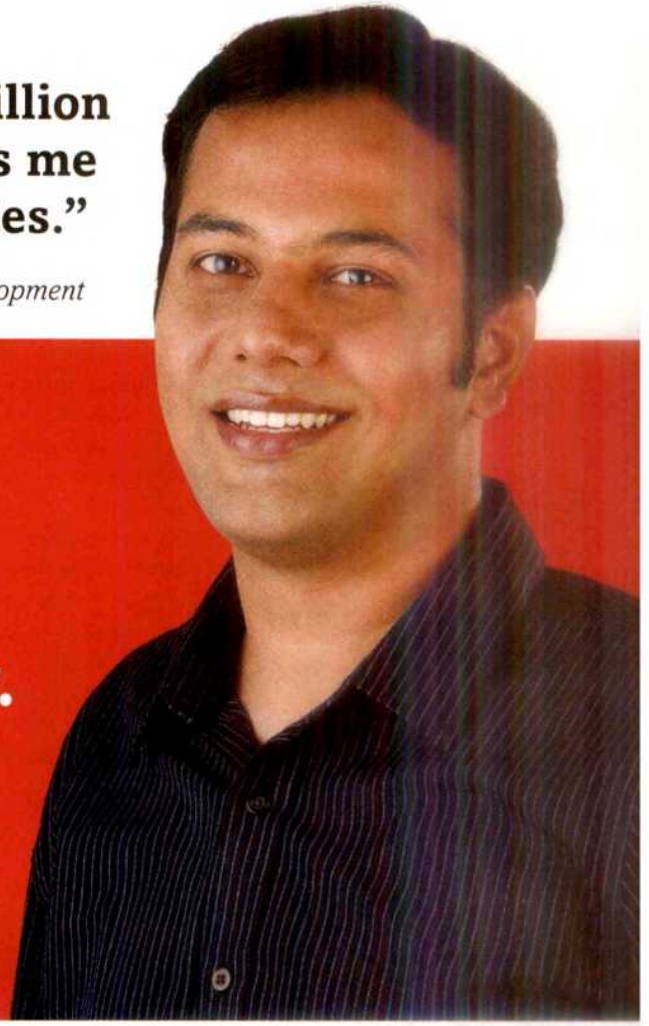
Windows Phone

For more details email to info@nokiaenterprise.co.in

© 2012 Nokia. All rights reserved. Nokia is a Trade mark of Nokia corporation, other trademarks and/or trade names are owned by their respective owners.
© 2011 Microsoft. All rights reserved. Other product and company names mentioned herein may be trademarks or trademarks of their respective owners.

"I work for a $10 billion global giant that provides me with endless opportunities."

Abhinav Dubey – Project Leader, Product Development



n Excellent Company.

But most of all, you'll enjoy our company culture. Because we treat you like a member of our family. And we encourage you to grow to your fullest potential, both professionally and personally. Little wonder we're ranked #14 in the Dataquest-CMR Best Employers survey. And that's why 52% of our associates have joined us through our associate referral program – one of the highest rates in the industry.

Do you want to know more? Email us at ADPi.Dialog@adp.com

- Ranked #269 in the Fortune 500
- $10 billion in revenues, approximately
- Ranked #1 by Fortune magazine among the 'Most Admired Companies' (Financial Data Services category)
- Rated 'AAA' by S&P and Moody's (one of the only 4 non-financial companies in USA)
- Ranked #1 in the 'Training Top 125' list, US

Great careers in: • Product Development • RIM • BPO • Global Security

www.ADP.com

JWT Mindset 0290.2012

Whitewash

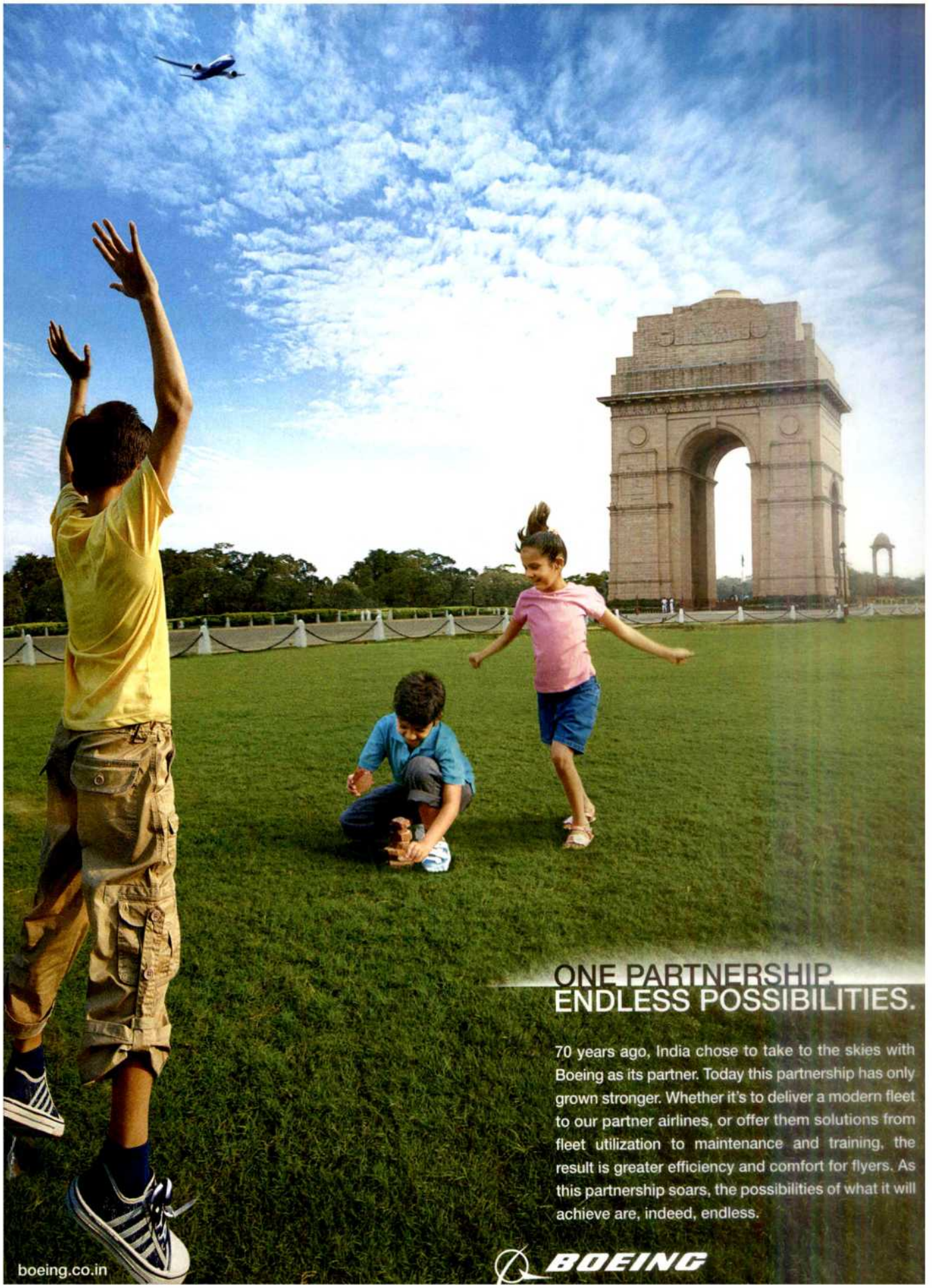
Pranab Mukherjee's White Paper on black money falls short on several counts. By SEBASTIAN P.T.

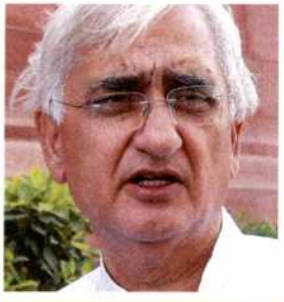
The 97-page White Paper on black money tabled in Parliament on May 21 is no page turner. It does give details of various aspects of the parallel economy: how black money is generated by companies and individuals through fudged accounts and realty deals, how it is circulated through hawala or by the misuse of transfer pricing, financial derivatives like participatory notes, initial public offerings, global depositary receipts and so forth. It also spells out the government's options and strategies to curb the problem, but makes no startling revelations or radical suggestions. "It reads more like an elaborate academic piece," says CPI leader D. Raja.

Some claim that even as an academic piece, it falls short. "The White Paper is just the perspective of the Central Board for Direct Taxes. There are not enough insights, more research is needed," says M. Govind Rao, Director, National Institute of Public Finance and Policy (NIPFP). There is also a great deal that it omits: for instance, how electioneering costs spawn black money. The upper limits for poll expenditure set by the Election Commission – ₹25 lakh for a Lok Sabha seat and ₹10 lakh for an assembly seat – are violated with impunity, with the excess being provided by black money. This not only leads to the much-decried 'businessman-politician nexus', since only wealthy businessmen can spare so much cash, but also often spurs the winner to focus on earning back the money spent and hoarding for the next election – all of it in black money. "The White Paper does not go into political processes," adds Rao.

BJP leader Jaswant Singh goes a step further charging that the Paper ignores black money generated by governments. "The document does not say anything about the creation of an environment of criminality by corrupt politics or about the arms trade by the government," he says. Rao notes that it also ignores the black money generated in education, such as the huge capitation fees charged by some private institutions.

The most glaring example of the misuse of a financial instrument in pumping black money into the economy is that of participatory notes (PN). These have long been suspected to be a conduit for politicians and businessmen to bring black money stashed abroad back into the country through the stock markets. With these, the identity of the overseas investor can remain concealed as


ONE PARTNERSHIP.
ENDLESS POSSIBILITIES.
70 years ago, India chose to take to the skies with Boeing as its partner. Today this partnership has only grown stronger. Whether it's to deliver a modern fleet to our partner airlines, or offer them solutions from fleet utilization to maintenance and training, the result is greater efficiency and comfort for flyers. As this partnership soars, the possibilities of what it will achieve are, indeed, endless.
boeing.co.in
BOEING



"IT IS AN ATTEMPT TO UNDERSTAND THE BLACK MONEY PHENOMENON. IT STARTS THE DISCUSSION"

Salman Khurshid, Union Law Minister

"BANNING P-NOTES IS THE MOST IMPORTANT STEP NEEDED TO CURB BLACK MONEY"

Subramanian Swamy, National President, Janata Party

"IT IS A GOOD DOCUMENT ON HOW BLACK MONEY IS GENERATED, BUT PROVIDES NO SOLUTIONS"

T.V. Mohandas Pai, Chairman, Manipal Universal Learning

the Indian securities are legally held by foreign institutional investors (FIIs). The PN-holder does not have to directly register with market regulator Securities and Exchange Board of India, and though FIIs are required to report the names and locations of the PN-holders who have invested with them, the real identities of these individuals often remain hidden behind a maze of front companies, more so if they are registered in tax havens like the Cayman Islands or Luxembourg. "Banning PNs is the most important step needed to curb black money," says Subramanian Swamy, National President, Janata Party. But all that the White Paper says is that PN-holders could "be Indians and the source of their investment may be black money".

An NIPFP study puts the black money generated in the country at 30 per cent of the gross domestic product. A fresh report is expected by the year-end. A 2008 report estimated the illegal wealth stashed overseas at $1.4 trillion (a trillion is one lakh crore). For all its analysis, the White Paper offers no concrete plan on how to curb black money, a shortcoming even its supporters concede. "It is a good document on how black money is generated, but provides no solutions," says T.V. Mohandas Pai, Chairman of Manipal Universal Learning, who has been on many government committees on tax-related matters. Opposition leaders are scathing. "If the US and Germany can get the names of its citizens holding unaccounted money in tax havens, why can't India," asks Raja.

An NIPFP study puts the black money generated in the country at 30 per cent of GDP. A 2008 report estimated the illegal wealth kept overseas at $1.4 trillion

What can be done? The Election Commission has made many suggestions for bringing transparency into election funding such as compulsory annual auditing of political parties' accounts: these could be implemented. Reforms in the realty sector, a major creator and preserver of black money are badly needed, such as bringing the circle rate of properties on par with market rates and reducing stamp duties. "Stamp duty levies, particularly on land transactions, are unreasonable," says BJP's Singh. Alongside, law enforcers must wield a big stick – punishment for those involved in black money transactions should be severe. The Special Courts Acts of Odisha and Bihar allow seizing of the properties of public servants charged with corruption, even while they are being tried. Other states could enact similar legislation.

No doubt there are bills intended to reduce corruption – such as the Lokpal Bill – being considered by Parliament. The White Paper too can be seen as another step to further action. "It is an attempt to understand the phenomenon of black money. It starts the discussion," says Salman Khurshid, Union Law Minister. ◆

We give you the best.
So that you can be chosen by the best

Get the best education with VIT's ABET accredited B.Tech programmes.

Mechanical Engineering	Civil Engineering	Electronics & Communication Engineering	Computer Science & Engineering

ABET, Baltimore, USA, has accredited 1500 programmes in Engineering, Computer Science, Technology and Applied Science all over the world. In Asia, 10 programmes have been accredited by ABET.

VIT University, Vellore has received ABET accreditation for B.Tech. Mechanical and B.Tech. Civil Engineering in 2009. It has also received accreditation for ECE and CSE programmes in 2011.

Accredited ABET Engineering Accreditation Commission

Accredited ABET Computing Accreditation Commission

For more information about ABET visit ***www.abet.org***

VIT's Limca record in campus placements ensures that you are chosen by the best companies.

For the 4th year in a row, VIT has achieved the top spot in placements. Two of these have even made it to the Limca Book of Records for creating a new national record in campus placements.

Highest campus placements record by a Single company

VIT UNIVERSITY
(Estd. u/s 3 of UGC Act 1956)
www.vit.ac.in

Descent Towards Disaster

Political paralysis takes India's gross domestic product to a nine-year low. By SHWETA PUNJ

The latest set of macroeconomic data released by the government confirms the worst: India's growth story has slipped. Gross domestic product (GDP) growth for 2011/12 is at a nine-year low of 6.5 per cent; growth in the last quarter of the year is down to 5.3 per cent. And many feel the worst is yet to come. "The economy has not bottomed out yet," says Rajiv Kumar, Secretary General, FICCI.

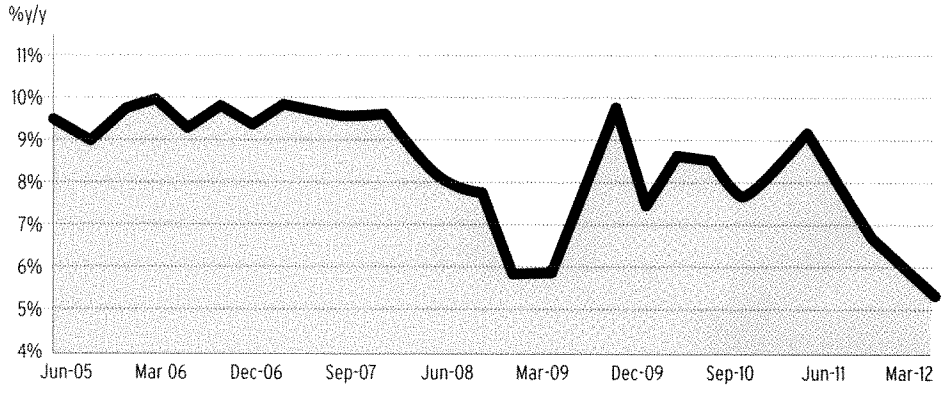
Many economy watchers had seen it coming, and had been warning the government. It made no difference: the government remained unmoved. It kept insisting India's troubles were simply an outcome of the crisis in the euro zone. But the country's twin deficits for 2011/12 – the fiscal deficit at 5.9 per cent and the current account deficit at 3.8 per cent of GDP – the high interest rates and persistent inflation tell a different tale. It is apparent that many of the problems have arisen out of the government's inaction.

As alarming as the GDP decline is the fall in consumer spending – the main driver of the India growth story. Until the third quarter of 2011/12, it was primarily investment demand that had been slipping, but that has now spilled over into household consumption demand, which contributes 60 per cent to the GDP. Private consumption dropped to 5.5 per cent in 2011/12 from 8.1 per cent the previous year. "This is a double whammy," says Samiran Chakraborty, Regional Head of Research (India), Standard Chartered. Industrial production growth fell to 3.4 per cent in 2011/12 from 7.2 per cent the previous year. For the fourth quarter of 2011/12, the industrial growth figure is still more dismal, just 1.9 per cent. Manufacturing in this quarter has slipped into the negative, falling by 0.3 per cent from a 0.6 per cent growth in the previous one. (See *Plunging to New Lows*.)

Growth in trade, hotels, transport and communications fell to their lowest since March 2009. Cargo handled at major ports declined by 7.5 per cent. Overall growth in

AS ALARMING AS THE GDP DECLINE IS THE FALL IN CONSUMER SPENDING – THE MAIN DRIVER OF THE INDIA GROWTH STORY. CONSUMPTION FELL TO 5.5 PER CENT IN 2011/12

GDP PLUMMETS



Source: Standard Chartered Research

SERVO
FUTURA
Synth
100%
API SN
5W-50
SYNTHETIC ENGINE OIL
SERVO® FUTURA SYNTH
AS ADVANCED AS TOMORROW.
100% Synthetic Engine Oil • Blended with Polyalphaolefins–Group IV base oils
• Superior all-weather performance • Controls sludge formation & other harmful deposits
• Keeps engine exceptionally clean with consequent benefit of fuel efficiency
• Outstanding engine protection through effective anti-wear capability
SYNTHETIC 100% SYNTHETIC
IndianOil
SERVO®
FUTURA SYNTH
100% PERFORMANCE. EVERYTIME.

CAN THE SITUATION BE RETRIEVED EVEN AT THIS LATE STAGE? INDUSTRY IS CONVINCED THERE IS ONLY ONE WAY OUT: IMMEDIATE REFORMS

this segment which has grown around 10 per cent in almost every quarter since June 2005, slipped to seven per cent. Not surprisingly, many economists, including Chakraborty, revised their growth forecasts for India downwards after the numbers were released. Standard Chartered Research lowered its projection for 2012/13 to 6.2 per cent from 7.1 per cent earlier.

Besides, GDP decline is only one of several alarms that have been going off. Inflation continues to remain high, with the Reserve Bank of India (RBI) seemingly waging a lone battle against it by repeatedly hardening interest rates for the last two years. Despite its efforts, which many claimed were hurting growth, inflation has not been entirely tamed. While RBI has finally begun moving in the reverse direction – it reduced the rate at which it lends to banks by 0.5 per cent in April – it is evident now that it alone cannot restore confidence. A second easing of interest rates is expected in June, though its extent is unlikely to satisfy industry.

When the government increased petrol prices recently, there was some hope that it would revise diesel and kerosene prices as well. Petroleum products and fertilisers form a substantial percentage of the ₹2.16 trillion subsidy bill (a trillion is one lakh crore). But it has not done so as yet. "This policy populism is very scary," says economist Sudipto Mundle. Finance Minister Pranab Mukherjee had promised to bring down India's subsidy bill to under two per cent of the GDP from around 2.5 per cent in his last Budget, but no concrete steps appear to have been taken yet.

Global ratings agency Standard & Poor's (S&P), has revised its rating outlook for India, saying that if India does not push through reforms it could be downgraded anytime in the next two years. There is a one in three chance that S&P might downgrade India from its BBB+ rating to BBB-. If India does get downgraded, it will join a league of nations such as Azerbaijan, Benin, Cameroon, Gabon, Grenada, Iceland, Jordan, Senegal and Turkey, which have a similar rating.

Can the situation be retrieved even at this late stage? Industry is convinced there is only one way out: immediate reforms. "The foreign direct investment limit in insurance should be increased from 26 to 49 per cent. Defence also should be opened up," says Adi Godrej, President, CII and Chairman designate Godrej Group. Kumar of FICCI agrees emphatically. "The only way to restore confidence is to move forward with important decisions that have been postponed for too long, such as opening up FDI in retail and in aviation," he says.

Some belated steps are indeed in the offing, though they are nowhere near fulfilling industry's wish list. Mukherjee has announced that the government will soon resort to unpopular austerity measures. Prime Minister Manmohan Singh has approved setting up an Investment Tracking System to prevent major investment projects from getting mired in bureaucratic procedures and thus delayed. "A team of economists is looking at the situation and issues will be addressed holistically," says Tom Vadakkan, All India Congress Committee Secretary. Corporate India is holding its breath. ◆

ADDITIONAL REPORTING BY DEARTON HECTOR THOMAS

PLUNGING TO NEW LOWS

Macroeconomic indicators paint a grim picture

	Q4 FY 12	Q3 FY 12	Worst since 2004/05	If not, the worst quarter was
GDP	5.3	6.1	Yes	
Industry	1.9	2.5	Yes	
Manufacturing	0.3	0.6	Yes	
Services	7.9	8.9	No	7.7 (Q4-FY11)
Trade, hotels, transport and communication	7.0	10.0	No	5.4 (Q3-FY09)

Sources: Standard Chartered Research (All figures in per cent)

3DEXPERIENCE

IF WE want to avoid rush hour, can we fly away in our car?

A car that flies*
– a dream our software brought to life.

There can be few of us who have not dreamed of escaping rush-hour traffic by sprouting wings and flying away. We may not be able to do that today, but with the launch of roadable planes from Terrafugia, some drivers may soon come close to living out such fantasies.

Innovators use the 3DExperience software platform from Dassault Systèmes to gain a better understanding of their new concepts, to explore new possibilities and to transform their exciting ideas into reality. Through a virtual mock-up that integrates design, simulation and production, automotive manufacturers draw on truly intelligent 3DExperiences to deliver new vehicles that are smart, safe and connected – and really take off in the market.

Our software applications for the 3DExperience platform:
CATIA / SOLIDWORKS / SIMULIA / DELMIA / ENOVIA
GEOVIA / EXALEAD / NETVIBES / 3DSWYM / 3DVIA

It takes a special kind of compass to explore the world's future possibilities. Innovative companies use our 3DExperience software platform to understand the present and navigate the future.

Find out more: **3DS.COM/TRANSPORTATION**

Our customer: TERRAFUGIA

*Terrafugia does not condone driving this vehicle on the road in flight mode

DASSAULT SYSTEMES | **IF WE** ask the right questio
we can change the world.

Needless Pain

The steep petrol price hike will not do much for the economy.

By ANILESH S. MAHAJAN

The government may be forced to pay a heavy political price for the decision to raise the price of petrol by ₹6.28 in one go. It would probably have been better off allowing the price to increase in trickles, particularly because the hike will not make much of a difference to its finances for two reasons. First, because the price of petrol was decontrolled in June 2010 and is therefore not subsidised. Second, and more pertinently, because petrol does not account for more than 10 per cent of the total fuel consumption in India.

"The price hike is not likely to give any relief to the government's swelling fiscal deficit and in mending the economy," says D.S. Rawat, Secretary General of industry lobby, ASSOCHAM.

The big question is over how the government plans to deal with the prices of diesel, liquefied petroleum gas (LPG) and kerosene, which it controls. According to the Kirit Parikh panel, which looked at the creation of a viable and sustainable system of pricing for petroleum products, 55 per cent of diesel is consumed by the public transport system, which includes railways, trucks and buses. Twelve per cent is consumed by the agriculture sector, in irrigation and cultivation. The government will not want to disturb either of these sectors for political reasons.

UNDER RECOVERIES

₹13.64 on every litre of diesel

₹31 on every litre of kerosene

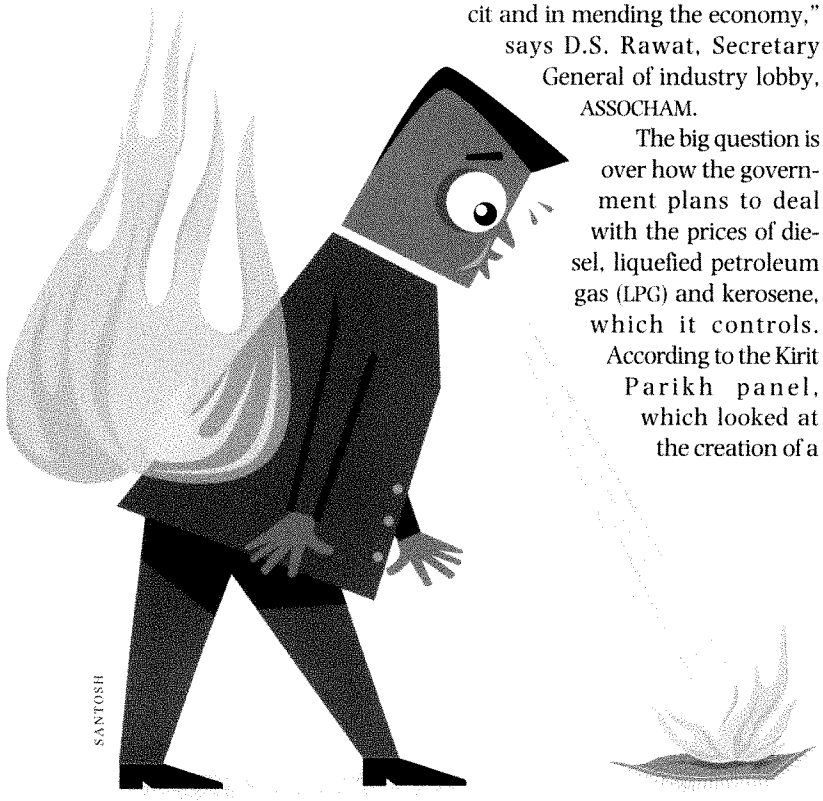
₹479 on every 14.2 kg cylinder of LPG

The OMCs' total under-recoveries in financial year 2011/12 amounted to ₹1.4 lakh crore. The under-recoveries work out to ₹13.64 per litre of diesel, ₹31 per litre of kerosene and ₹479 per 14.2 kg cylinder of LPG. The government has twice postponed a meeting of the empowered group of ministers that will decide on a price hike of these entities, most recently on June 1.

The three fuels are not only increasing the government's subsidy bill but are also causing upstream companies, such as Oil and Natural Gas Corporation, Oil India limited and Gas Authority of India Limited to bleed. "It is really troublesome. Had there been no subsidy burden, we would have gone for foreign acquisitions, which is the need of the hour for our energy security," says Sudhir Vasudeva, CMD of ONGC. The company gave discounts worth ₹7,351 crore in financial year 2011/12 to the three oil marketing companies.

"It is time the government allows these (controlled) prices also to move to their market-determined level," says a spokesperson for industry lobby Federation of Indian Chambers of Commerce and Industry (FICCI). "The inflationary impact of such an increase happens once for everyone. It can be mitigated by reduction in taxes both by the central and state governments," he adds.

After the hue and cry raised nationwide over the petrol price hike that seems an unlikely possibility. ◆



SANTOSH

Needless Pain

The steep petrol price hike will not do much for the economy.

By ANILESH S. MAHAJAN

The government may be forced to pay a heavy political price for the decision to raise the price of petrol by ₹6.28 in one go. It would probably have been better off allowing the price to increase in trickles, particularly because the hike will not make much of a difference to its finances for two reasons. First, because the price of petrol was decontrolled in June 2010 and is therefore not subsidised. Second, and more pertinently, because petrol does not account for more than 10 per cent of the total fuel consumption in India.

"The price hike is not likely to give any relief to the government's swelling fiscal deficit and in mending the economy," says D.S. Rawat, Secretary General of industry lobby, ASSOCHAM.

The big question is over how the government plans to deal with the prices of diesel, liquefied petroleum gas (LPG) and kerosene, which it controls. According to the Kirit Parikh panel, which looked at the creation of a viable and sustainable system of pricing for petroleum products, 55 per cent of diesel is consumed by the public transport system, which includes railways, trucks and buses. Twelve per cent is consumed by the agriculture sector, in irrigation and cultivation. The government will not want to disturb either of these sectors for political reasons.

UNDER RECOVERIES

₹13.64 on every litre of diesel

₹31 on every litre of kerosene

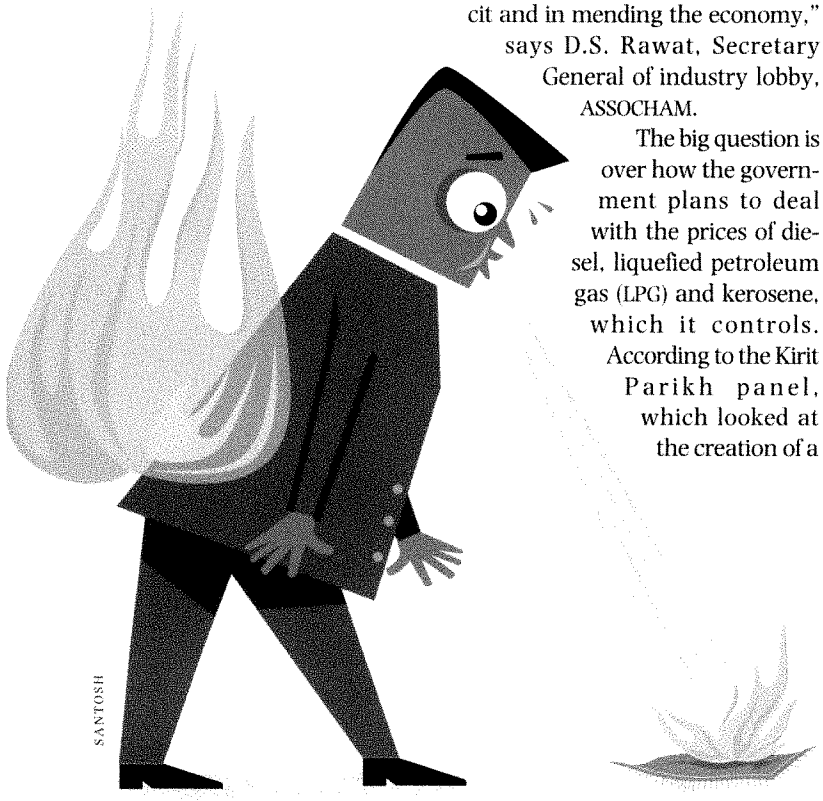
₹479 on every 14.2 kg cylinder of LPG

The OMCs' total under-recoveries in financial year 2011/12 amounted to ₹1.4 lakh crore. The under-recoveries work out to ₹13.64 per litre of diesel, ₹31 per litre of kerosene and ₹479 per 14.2 kg cylinder of LPG. The government has twice postponed a meeting of the empowered group of ministers that will decide on a price hike of these entities, most recently on June 1.

The three fuels are not only increasing the government's subsidy bill but are also causing upstream companies, such as Oil and Natural Gas Corporation, Oil India limited and Gas Authority of India Limited to bleed. "It is really troublesome. Had there been no subsidy burden, we would have gone for foreign acquisitions, which is the need of the hour for our energy security," says Sudhir Vasudeva, CMD of ONGC. The company gave discounts worth ₹7,351 crore in financial year 2011/12 to the three oil marketing companies.

"It is time the government allows these (controlled) prices also to move to their market-determined level," says a spokesperson for industry lobby Federation of Indian Chambers of Commerce and Industry (FICCI). "The inflationary impact of such an increase happens once for everyone. It can be mitigated by reduction in taxes both by the central and state governments," he adds.

After the hue and cry raised nationwide over the petrol price hike that seems an unlikely possibility. ◆



SANTOSH

"The hike will further widen the gap between petrol and diesel cars. Something needs to be done to balance the demand for both types of vehicles"

R.C. Bhargava, *Chairman, Maruti Suzuki, to* CNBC-TV18

"First it was the rising crude prices, then depreciation of the rupee. We are forced by global crises that are beyond our control. ...We cannot run the country on popular sentiment"

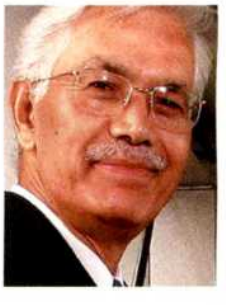
S. Jaipal Reddy, *Petroleum Minister, to wire agencies*

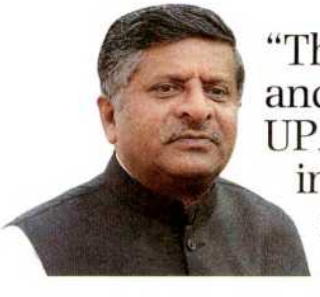
"THIS IS ANOTHER BLOW TO THE INDUSTRY AFTER EXCISE DUTIES WERE HIKED A FEW MONTHS AGO. THE HIKE WILL PUSH UP OVERALL COST OF OWNERSHIP FOR THE CUSTOMER AND WILL DEFINITELY HAVE AN IMPACT ON DEMAND"

Pravin Shah, *CEO, Automotive Division, Mahindra and Mahindra, in* Business Standard

"Every dollar reduction in the global oil rate translates into a cut in product price of 33 paise. But every time the rupee depreciates by one rupee, it translates into a requirement to raise prices by 77 paise"

R.S. Butola, *Chairman, Indian Oil Corporation, in* Mail Today





"The gross mismanagement of food and the general economy by the UPA regime has led to the decline in the rupee. This has led to the rise in prices of petrol"

Ravi Shankar Prasad, *BJP leader, in* Mail Today

18 YEARS OF EMPOWERING MINDS

AIMS
EMPOWERING MINDS

AIMS
Peenya, BANGALORE

National & International Accreditations with Top Honors

ACCREDITED WITH 'A' GRADE BY

NAAC
With CGPA 3.46 on a scale of 4

IACBE
International Assembly for Collegiate Business Education

As apart of our endeavor to deliver quality experience to all our stakeholders we are proud to announce that AIMS (Acharya Institute of Management & Sciences) is now accredited by NAAC with 'A' Grade (CGPA of 3.46 on a scale of 4) and IACBE*. AIMS is the first institution in India to get accredited by IACBE for undergraduate programs.

NAAC

The NATIONAL ASSESSMENT AND ACCREDITATION COUNCIL (NAAC) is an autonomous body established by the University Grants Commission (UGC) of India to assess and accredit institutions of higher education in the country.

In the context of Higher Education, the accreditation status indicates that the particular Higher Educational Institutions (HEI) – a College, a University, or any other recognised Unit therein, meets the standards of quality as set by the Accreditation Agency, in terms of its performance, related to the educational processes and outcomes, covering the curriculum, teaching-learning, evaluation, faculty, research, infrastructure, learning resources, organisation, governance, financial well being and student services. *(Courtesy: http://www.naac.gov.in/)*

IACBE

The IACBE is the leader in mission-driven and outcomes-based programmatic accreditation in business, and it exists for the purposes of advancing academic quality and excellence in business education throughout the world. *(Courtesy: http://iacbe.org/)*

MBA PGDM PGDITM MCOM MCA MSW MTA MA(Eng Litt.)

BBM BCOM BCA BHM

• Programs offered are affiliated to Bangalore University / AIMA New Delhi / approved by AICTE, Wherever applicable.

Please note our campus is only at Peenya, Bangalore.

* MBA, PGPIB, BBM, & BCOM are accredited by IACBE.

1st Cross, 1st Stage, Peenya, Bangalore - 58, INDIA.

www.acharyaims.ac.in

Love Thy Neighbour

Manmohan Singh's Myanmar visit will improve economic ties, says **Akash Banerjee,** who travelled with him to Naypyidaw

PIB

Deepening ties: Prime Minister Manmohan Singh is welcomed by Myanmar President Thein Sein in Naypyidaw, the capital of Myanmar

Ever since the junta in Myanmar loosened its grip on the country and allowed democratic reforms, foreign investments have flooded the country, crossing the $40 billion mark in January 2012. When Prime Minister Manmohan Singh flew into Myanmar in the last week of May, he knew that India stood a distant thirteenth in terms of those investments. China leads the pack, accounting for close to 40 per cent of overall foreign investments in the country.

While the Chinese got in early with support from the junta, many believe India has not missed the Myanmar investment bus. The 25-member Indian business delegation accompanying the Prime Minister emerged all smiles after meeting Myanmarese officials. "We are very positive about the investment climate here. There is so much to do in Myanmar," said Sunil Bharti Mittal, Chairman of Bharti Airtel, who led the delegation.

Also in the delegation was Naveen Jindal, Chairman of Jindal Steel and Power Ltd, who believes India can only do business with a government that respected democracy and was therefore entering Myanmar at the right time.

The 12 agreements and memoranda of understanding signed between India and Myanmar will bring the two countries together by opening air routes to private carriers, developing border regions and extending a $500 million credit line to Myanmar for infrastructure development. "Once the air routes open and foreign investments are approved, we are looking at explosive growth in demand for hotel rooms," says Ram Nurani, GM of the Park Royal, Yangon.

Myanmar is estimated to be sitting on over 25 trillion cubic feet of gas reserves. Of the 1.47 billion cubic feet of gas (CFG) that it produces per day, the country exports 1.2 billion CFG to Thailand under a 30-year, multi-billion-dollar pact. India, too, needs to look at having such long-term deal.

There are, of course, uncertainties even now. Myanmar does not have a regulatory mechanism and setting up a business can be complicated. Governmental corruption and inefficiency compound the risks.

But there is near unanimity that the economic liberalisation and democratisation of Myanmar is a one-way street. "I lived in India for 24 years as a dissident. If I hadn't been confident of the change, then I wouldn't have come back to Myanmar" says Soe Myint, activist and Editor-in-Chief of *Mizzima Media*. ◆

MYANMAR IS ESTIMATED TO BE SITTING ON OVER 25 TRILLION CUBIC FEET OF GAS RESERVES

Seagate

Go10xFaster!

Be · Optimised!

with *GoFlex* Ultra Portable Hard Drives

Connect the way you want.
GoFlex™ lets you move up to USB 3.0 to take advantage of vastly improved data transfer speeds.

With USB 3.0 plug-and-play connectivity, upgrade to a faster interface and increase your transfer speed by up to 10x. Backward compatible with USB 2.0, it's the perfect solution for transferring and accessing movies and other large files from your PC or Mac.

Customise your experience to suit your digital lifestyle.

Faster Speed with ULTRA HIGH SPEED USB 3.0

- GoFlex™ Ultra Portable Hard Drive
- GoFlex™ Slim
- GoFlex™ Home
- GoFlex™ Satellite
- GoFlex™ Upgrade Cable (USB 3.0 / eSATA / FireWire® 800)

FreeAgent GoFlex™ STORAGE SYSTEM

Learn more at: www.seagate.com

PROTECT. STORE. DO MORE.™

Seagate Representatives: South: Kiran Bobby – 9880948355 • **East: Prasanta Ray** – 9831167213 • **West: Rahul Seth** – 9819020604 • **Delhi NCR, UP: Sangramsinh Shelar** – 9811938944 • **Raj, MP, Cgr.: Amit Sharma** – 9314613817 • **Cha, Punjab, Har, Utr, J&K, Him: Harish Saini** – 9988704557 • **Biz Dev: Praveen** – 9500073931

Seagate Authorised Distributors: Fortune Marketing Pvt. Ltd. - 011-30890014 • **Supertron Electronics Ltd.** - 033-22131221 • **Ingram Micro India Pvt. Ltd.** - 022-67960101 • **Redington India Ltd.** - 044-22352790
Seagate Premier Partner- Sub Distributors: Ahmedabad: Earth Syscom Pvt. Ltd. - 26857024 • **Silverline Infocom** - 26857292 • **Bangalore: Jain Infoways** - 22998368 • **Mega Compu World Pvt. Ltd.** - 22998325 • **Chennai: I Com Systems Pvt. Ltd.** - 42168489 • **UMS Infotech Pvt. Ltd.** - 28603261 • **Gurgaon: Aryan Technologies & Telecommunication Pvt. Ltd.** - 4085126 • **Indore: Pacific Systems & Service** - 4090082 • **Jabalpur: Microland Computers** - 4065445 • **Jaipur: Advance Computers** - 2523546 • **Kanchan Computech Pvt. Ltd.** - 2229477 • **Kochi: Aldous Glare Trade & Exports** - 2312820 • **International Marketing Company** - 3018068 • **M S Systems** - 2377222 • **Positive Systems** - 2376382 • **Westen I T Distributors** - 2358835 • **Kolkata: Suntronic Systems** - 22137434 • **Supreme Technologies Pvt. Ltd.** - 22119355 • **Technocrat Infotech Pvt. Ltd.** - 22129559 • **Mumbai: Chip-Com Traders Pvt. Ltd.** - 43471618 • **Om Shakti Computers** - 23803583 • **Shiv Shakti Technology Pvt. Ltd.** - 66548338 • **Solutions** - 23871727 • **Unitech Services** - 26719978 • **Nagpur: D Wat Global Ltd.** - 2465600 • **Real Computers** - 2542120 • **New Delhi: AVS Informatics Pvt. Ltd.** - 26473133 • **Creation Computer Tech Pvt. Ltd.** - 66628275 • **Pune: B M Enterprises** - 30217567 • **Baba Infotech Pvt. Ltd.** - 24485268 • **Poonam Electronics** - 25521740 • **Rajkot: Anyway I T Solutions** - 6628704 • **Secunderabad: Compage Computers Pvt. Ltd.** - 66385777 • **Shweta Computers & Peripherals** - 66387451 • **Vishal Peripherals** - 27814523 • **Surat: Ria Computers Pvt. Ltd.** - 2235882

Also available at: STAPLES, Ozone, croma, ELECTRONIC BOUTIQUE, P3, Reliance digital, HyperCITY, JUMBO ELECTRONICS, landmark

FOLLOW US ON twitter @seagate_in

WARRANTY support across 117 SeaCare® Centres

*Samsung Hard Drives also supported at SeaCare Centre

A HI-TECH DSLR CAMERA AND THE THIRD VERSION OF THE GALAXY S SMARTPHONE

Worth the Expense

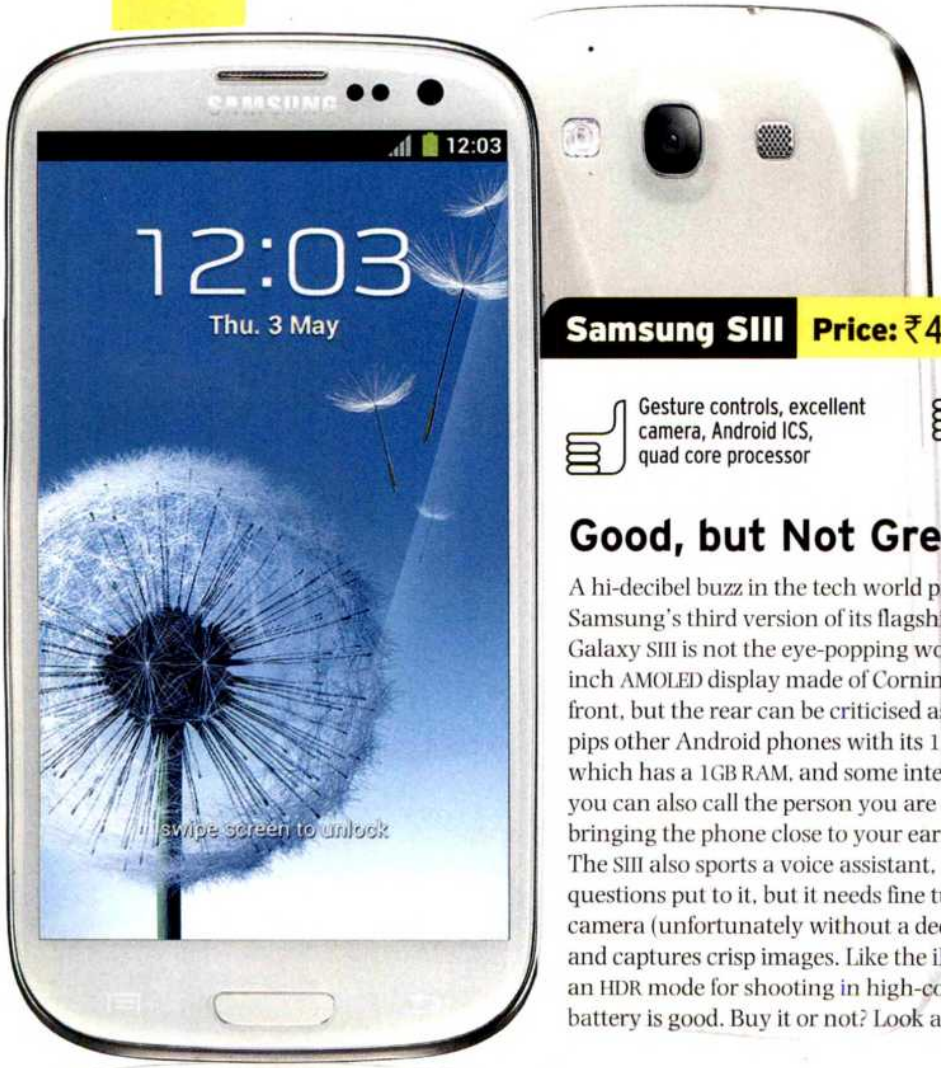
The Sony A77 is yet another high-end DSLR camera. It has a 24.3 megapixel Exmor APS HD CMOS sensor, which puts it right up there among the best. The three-inch LCD screen has a three-way tilt and swivel ability, making it easy to compose tricky shots. It uses Sony's new Translucent Mirror Technology and a 19-point auto focus system with 11 cross sensors, thus taking only a micro second to lock on to an image.

NANDAGOPAL RAJAN

Easy to use, high quality, electronic viewfinder

Too many automatic controls for a DSLR

Sony A77 **Price:** ₹99,990 (with 16-105mm lens)



Samsung SIII **Price:** ₹43,180

Gesture controls, excellent camera, Android ICS, quad core processor

Plastic build, voice assistant needs fine tuning

Good, but Not Great

A hi-decibel buzz in the tech world preceded the launch of Samsung's third version of its flagship Galaxy S phone. But the Galaxy SIII is not the eye-popping wonder that was expected. A 4.8-inch AMOLED display made of Corning Gorilla glass dominates the front, but the rear can be criticised as being 'plasticky'. Still, the SIII pips other Android phones with its 1.4 GHz quad-core processor which has a 1GB RAM, and some intelligent features. For instance, you can also call the person you are sending a message to, simply by bringing the phone close to your ear. Samsung calls this 'Direct Call'. The SIII also sports a voice assistant, 'S Voice', that answers questions put to it, but it needs fine tuning. The eight megapixel camera (unfortunately without a dedicated button) is impressive and captures crisp images. Like the iPhone camera, this one too has an HDR mode for shooting in high-contrast lighting. The 2100 mAh battery is good. Buy it or not? Look at the price tag first.

NIDHI SINGAL

Make the switch to Global Grading System™ and bring Total Rewards to life.

One of the biggest challenges faced by HR leaders today is attracting and retaining key talent and increasing engagement levels while simultaneously controlling spiralling costs. Most Total Rewards solutions require significant investment in time, cash and HR resource to deliver and often lack the ability to show the value added.

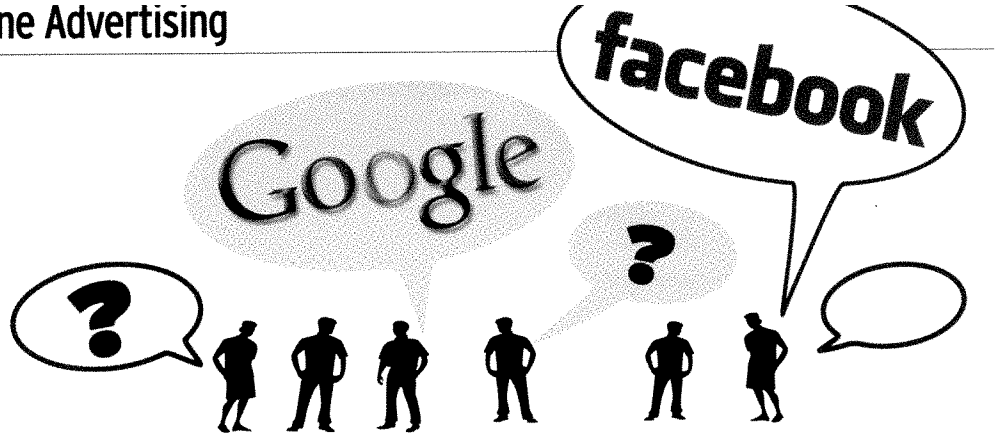
Introducing Towers Watson's Global Grading System™ (GGS). Quick. Cost-effective. Flexible. Robust. A better way to organise your talent, strengthen your career framework, develop an EVP, control costs, free up HR Resource and demonstrate HR Value.

To know more visit towerswatson.com or email neha.sharma@towerswatson.com

Talent and Rewards
Benefits
Risk and Financial Services

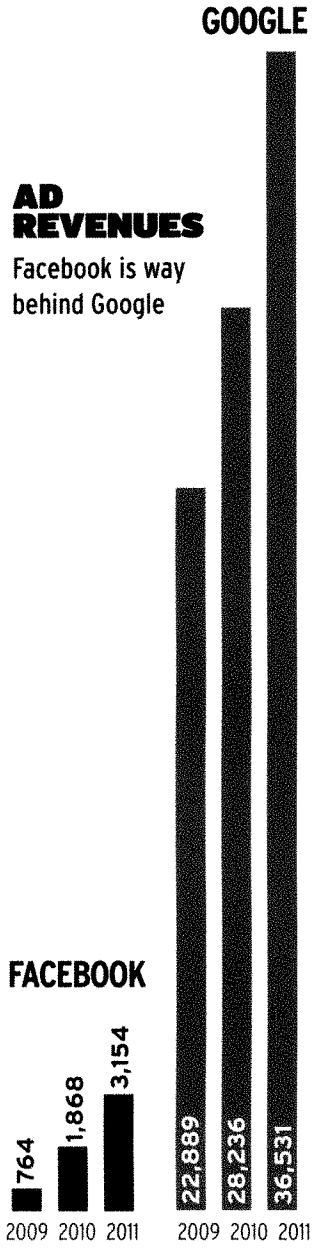
towerswatson.com

TOWERS WATSON



Search Versus Like

Does Google offer advertisers a better return on investment than Facebook? By DEARTON THOMAS HECTOR



The third week of May proved to be a rough one for Facebook co-founder Mark Zuckerberg. On May 18, the company's much-awaited initial public offering made a tepid debut on the Nasdaq stock market, and tumbled swiftly thereafter. The same day, the company was also hit by a $15 billion class action user tracking lawsuit. And earlier in the week, General Motors (GM), the largest auto company in the US, announced it was pulling out all its paid Facebook advertisements, citing doubts on the return on investment (RoI).

The company's other problems aside, GM's decision to pull the plug on its Facebook advertising has raised a few eyebrows. Inevitably, comparisons are being drawn between Facebook and Google, although one is a search engine and the other, a social network. As things stand, Google is far ahead in the race for advertising revenues. In 2011, its total advertising revenues stood at $36.5 billion, over ten times more than Facebook's $3.1 billion.

For an advertiser, the most important factor is the conversion rate. "Google offers more opportunity for conversions. It reaches out to more people," says Mona Jain, CEO of media buying agency VivaKi Exchange India.

"In the last year, we have doubled our SMB (small and medium business) advertiser base," says Praveen Sharma, Head of Media Sales at Google India. For SMBs, the digital medium is cost effective.

In an email response, Kirthiga Reddy, Head of Facebook's India Operations, noted: "Facebook ads help businesses find people before they search, based on their real interests and their real location. People share their real interests on Facebook and, as a result, businesses can reach the people that are most likely to be interested in their products or services."

With advertisers increasingly striving for the maximum possible reach for their products and brands, digital or online advertising becomes a necessity. "The problem with the digital medium is that the impact of the money spent is not measurable," says Jean Paul Lafaye, CEO and Founder of Equancy, a Paris-headquartered marketing and communication firm that handles brands such as Accor, Nissan Europe and Nestle, among others.

It may be easier for advertisers such as e-commerce sites to measure RoI since every step from a click to a sale can be monitored. "Online advertising comes naturally to us. One thing I wouldn't do ever is not advertise online," says Trivikram Thakore, who heads Marketing at Fashion and You, an online shopping club.

Media buyers say both Google and Facebook are essential for a brand, but one should know how to use both effectively. "Facebook is all about building a connect with customers. It's all about brand building," says Basabdatta Chowdhuri, CEO of Platinum Media, a media agency.

Fashion and You's Thakore puts it best: "In terms of reach there is no match for Google and in terms of interactivity, no one can match Facebook." ◆

Sheraton

take your stay TO THE next level

Indulge in an enhanced Sheraton® Club experience, where you get exclusive access into our Sheraton® Club Lounges every day of the week. Enjoy complimentary breakfast, Internet access, evening cocktails and hors d'oeuvres that keep you fueled, connected and relaxed.

Call +65 6836 7338 or 1800 258 2508 to upgrade today.
Learn more at sheraton.com/club

Sheraton® Club is available in:
Australia, China, Guam, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam

spg Starwood Preferred Guest

LE MERIDIEN aloft FOUR POINTS WESTIN THE LUXURY COLLECTION

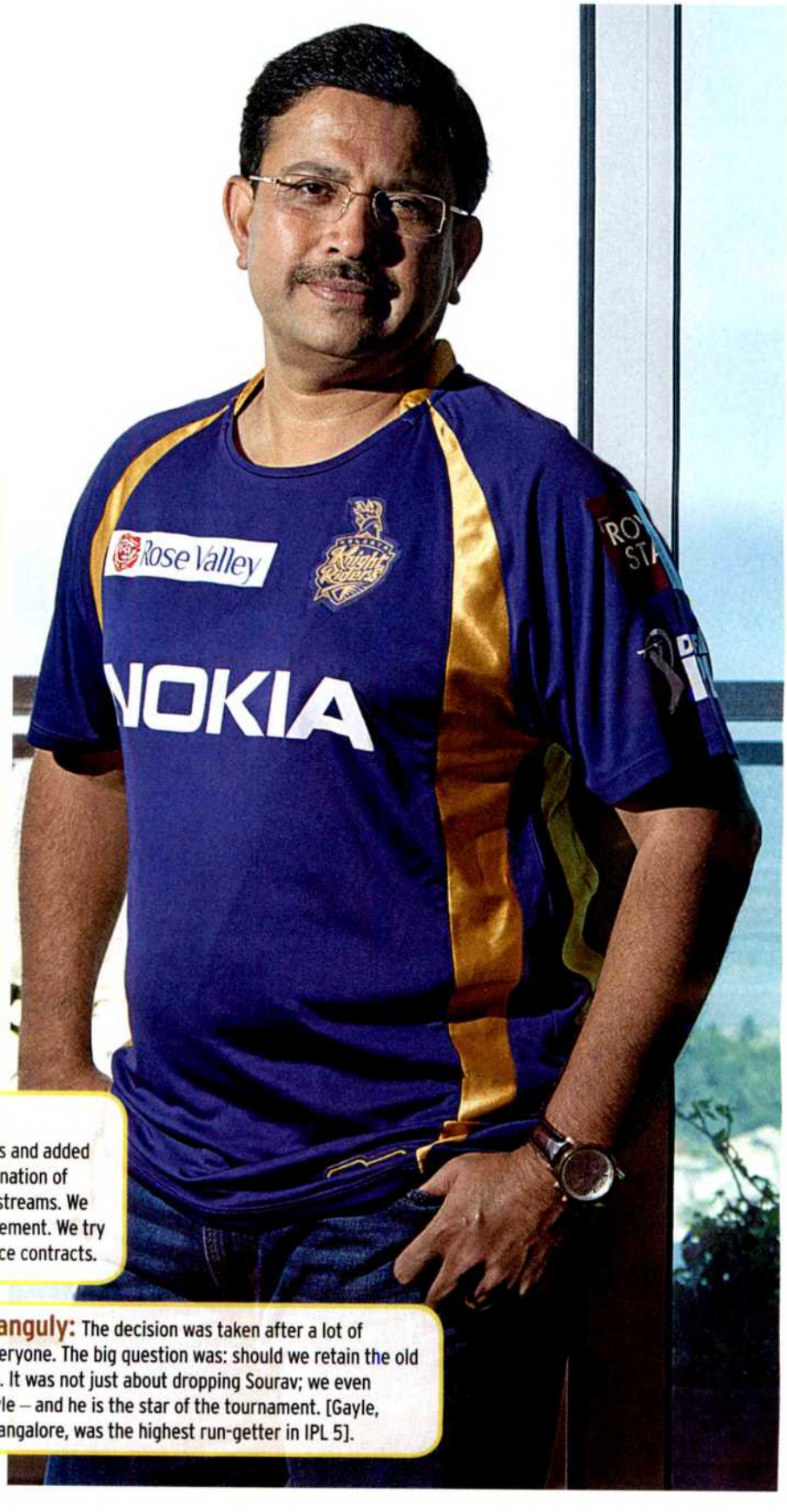
W HOTELS Sheraton ST REGIS element

© 2012 Starwood Hotels & Resorts Worldwide, Inc. All Rights Reserved. Sheraton and its logo are the trademarks of Starwood Hotels & Resorts Worldwide, Inc., or its affiliates. For full terms and conditions visit sheraton.com/club

75 Sheraton SEVENTY-FIFTH ANNIVERSARY

OWNERS BACKED US TO PURSUE NEW STRATEGY

VENKY MYSORE, CEO and Managing Director of Kolkata Knight Riders Sports and Leisure Pvt Ltd, spoke to **Suman Layak** about his team's recent victory in the fifth edition of the IPL, the challenges of building a successful team and the tough decisions he had to take after coming on board.



RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

On KKR's recent win: Two years ago, we had taken a strategy decision to revamp the team. The owners allowed us to pursue the strategy. Then you need a little bit of luck to get the whole thing in place. We were fortunate. This team is totally professional and is excellent in the way it conducts itself both on and off the field.

On changes in the company's functioning: We redefined some roles and added some responsibilities. It is always a combination of things. All franchises have some revenue streams. We have to be careful about expenses management. We try to be disciplined even in negotiating service contracts.

On dropping Sourav Ganguly: The decision was taken after a lot of discussion. It was backed by everyone. The big question was: should we retain the old team or start with a clean slate. It was not just about dropping Sourav; we even decided not to bid for Chris Gayle – and he is the star of the tournament. [Gayle, playing for Royal Challengers Bangalore, was the highest run-getter in IPL 5].

95,000 SMALL BUSINESSES NOW CALL DUBAI HOME.

202 NATIONALITIES NOW LIVE AND WORK HERE.

22 FREE ZONES BRING ENTREPRENEURS AND IDEAS TOGETHER. WELCOME TO THE WORLD'S NEWEST SME HUB.

WHEN YOU RUN THE NUMBERS, DUBAI MEANS BUSINESS.

SEE THE FILM AT VISION.AE/BUSINESS/NUMBERS

EXPO 2020 DUBAI, UAE
CANDIDATE CITY

DUBAI

EXPO2020DUBAI.AE

INFO@FALCONANDASSOCIATES.AE

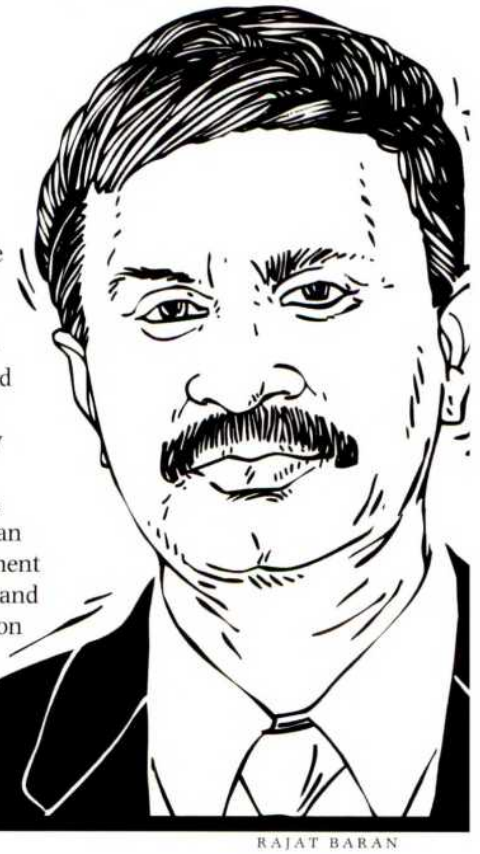
BT-ERNST & YOUNG

DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*

The Japan-based insurance major MS&AD Insurance Group Holdings is set to buy a 26 per cent stake in Max New York Life Insurance Company Limited (MNYL), a joint venture between Max India Limited and US-based New York Life Insurance Company (NYL), for ₹2,834.4 crore ($530.8 million) in an all-cash transaction. After the transaction, MNYL will be rebranded as Max Life Insurance Company. The deal marks the second-largest foreign investment in the Indian life insurance industry and values MNYL at ₹10,504 crore ($2.1 billion).

The other deal is that of Ybrant Digital Limited, an Indian digital marketing services company, promoted by its Chairman and CEO **Suresh Reddy**. The firm has entered into an agreement to acquire three US-based firms (PriceGrabber, LowerMyBills and ClassesUSA) belonging to Experian Plc., a UK-based information services company. Ybrant will shell out $175 million (₹934.5 crore) for the acquisition, consisting of $100 million cash at closing and a $75 million loan note. The deal is likely to close in September this year.



RAJAT BARAN

TARGET
MAX NEW YORK LIFE INSURANCE

ACQUIRER
MS&AD INSURANCE GROUP HOLDINGS

DEAL VALUE (₹ CR)
2,834

TARGET
PRICEGRABBER, LOWERMYBILLS & CLASSES-USA

ACQUIRER
YBRANT DIGITAL

DEAL VALUE (₹ CR)
934

TARGET
PANTALOON RETAIL (INDIA)

ACQUIRER
ADITYA BIRLA NUVO

DEAL VALUE (₹ CR)
811

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
Nagarjuna Oil Co	Trafigura Holding BV	694
Lemon Tree Hotels	APG Groep NV	655
Intas Pharmaceuticals	ChrysCapital Management	305
United Phosphorus	United Phosphorus	291
TVS Logistics Services	Kohlberg Kravis	275
Appaswamy Real Estates	Xander Inc.	214

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not take any responsibility with regard to such a decision

*April 12 to May 14, 2012

Not a complete list

The next level of collaboration

Unified communications solutions for elevated performance

Enterprises today have a variety of communication needs and face a lot of management challenges. NEC, a global leader in IT and networking technologies, brings you tailor-made solutions built on an in-depth understanding of your unique needs, strategies and objectives. Our unified communications solutions and products improve employee productivity and efficiency through enhanced mobility and collaboration. Elevate your performance with NEC.

www.nec.com

promodome.net

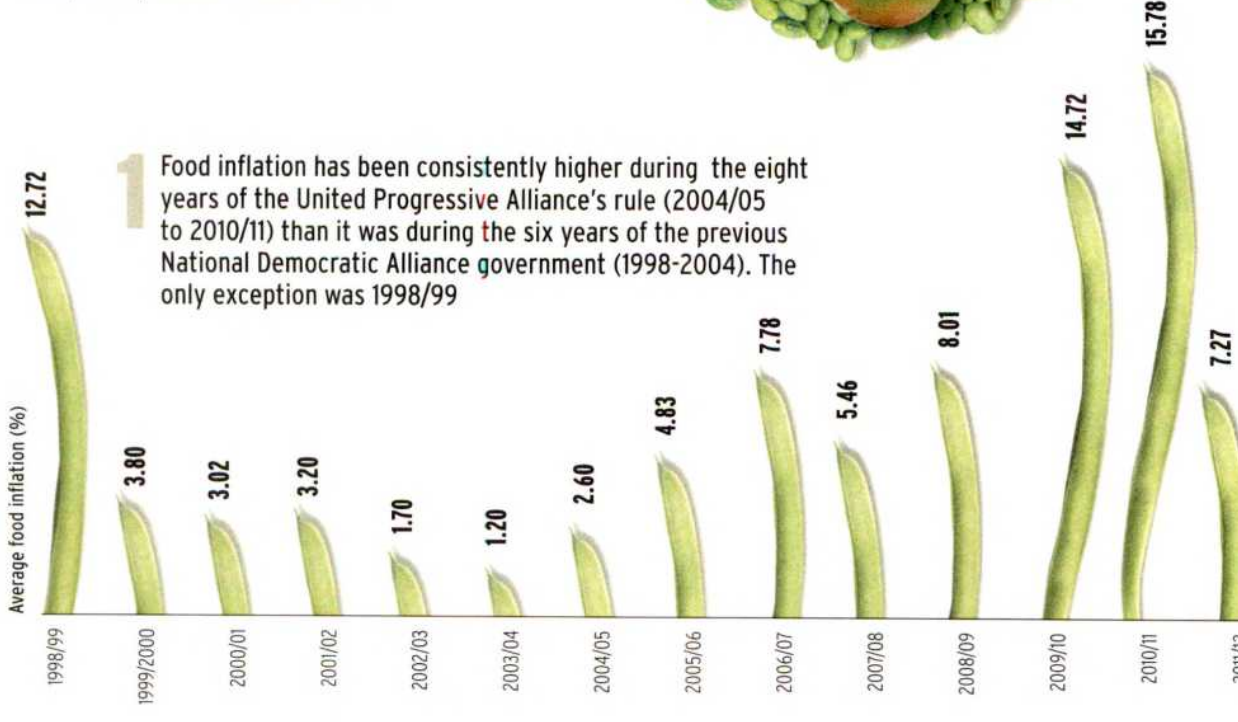
Empowered by Innovation **NEC**

For further information, please call NEC India Pvt. Ltd. **Tel.:** 011-61101000, **Toll Free No:** 1800-419-2222 I **Fax:** 011-61101001

DISCOMFORT FOOD

The reasons for the persistently high food inflation of the last few years have been much debated. Many ascribe it to the rising incomes of Indians, which is leading to greater consumption and pushing up prices. There is great need to improve supply chains and reduce wastage. Some aspects of India's food inflation:

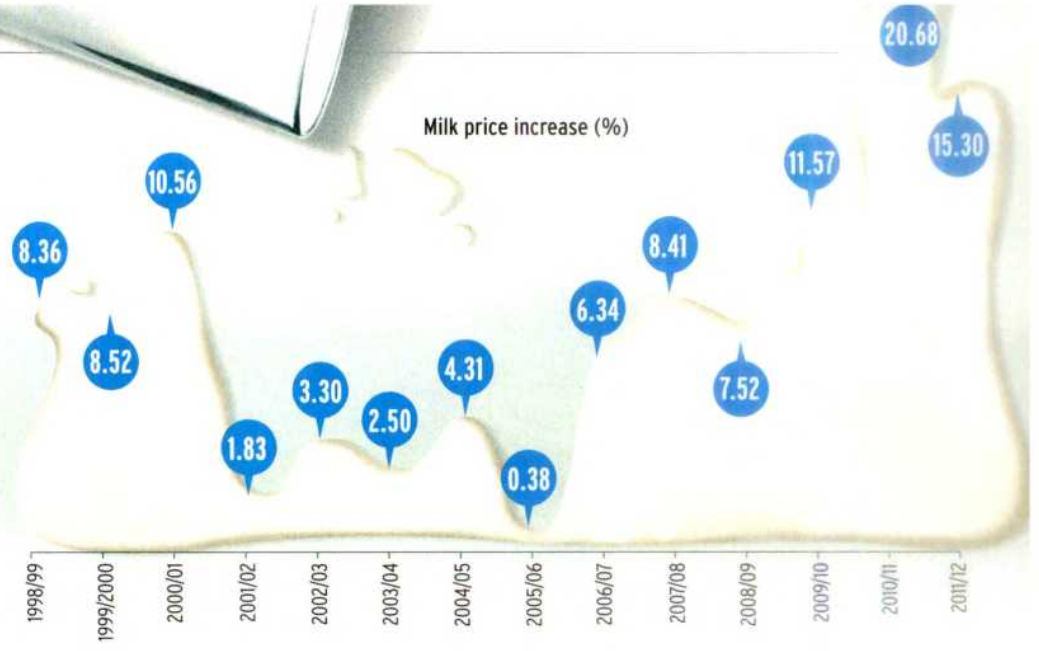
Text by **Anand J**
Graphic by **Santosh Kushwaha**



1 Food inflation has been consistently higher during the eight years of the United Progressive Alliance's rule (2004/05 to 2010/11) than it was during the six years of the previous National Democratic Alliance government (1998-2004). The only exception was 1998/99

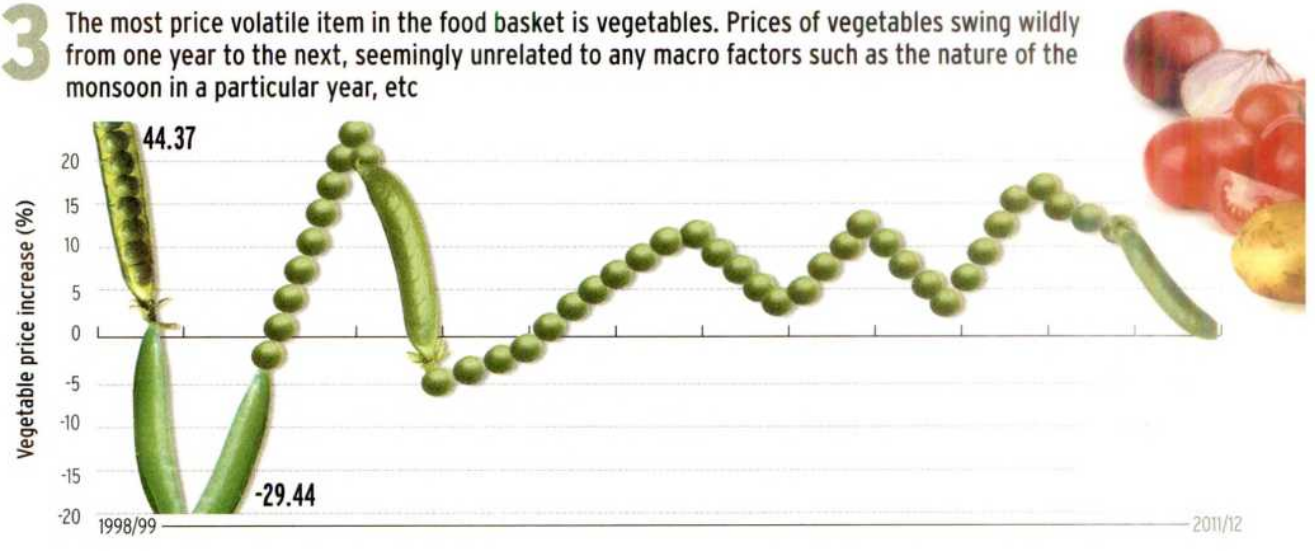
2

Almost all 55 food items monitored while computing food inflation saw fluctuations in prices in past 14 years. One item, however, whose price has never once dipped, but only keeps rising every year, is milk



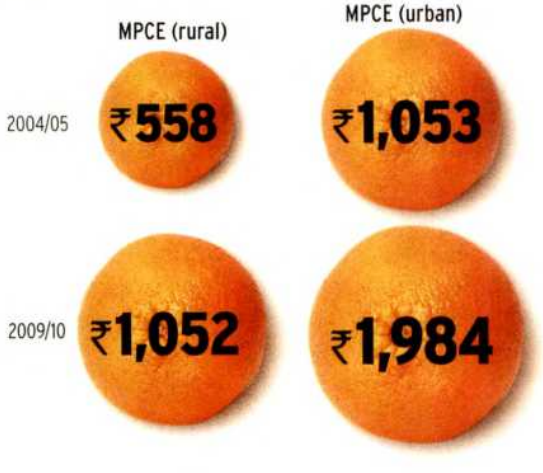
3

The most price volatile item in the food basket is vegetables. Prices of vegetables swing wildly from one year to the next, seemingly unrelated to any macro factors such as the nature of the monsoon in a particular year, etc



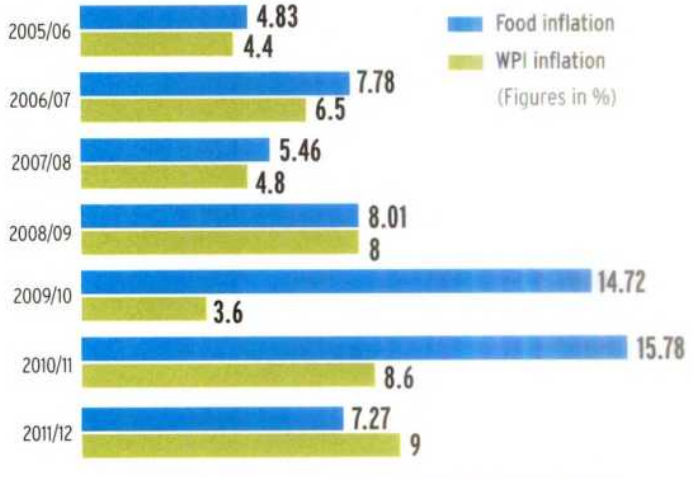
4

In five years, food inflation has doubled India's monthly per capita expenditure (MPCE)



5

In every year from 2005/06 to 2010/11, food inflation has been higher than overall inflation.*



* It was lower in 2011/12 due to the high base effect of 2010/11

Sources: Planning Commission, NSSO data

Ctrl+U+P

That could soon become yet another command on your keypad. And what would it do? It would 'unprint', erase the ink on any printed document you put in the printer, so that the paper can be reused. In a boost for paper conservation, researchers at Cambridge University have been successful at using short pulses of laser light to delete words and images printed on paper, by vapourising the toner ink.

Old is Gold

Digital cameras may have turned film cameras into relics, but some relics can cost quite a bit. The most expensive cameras in the world remain German manufacturer Leica's 1923 'O series', the first lot of 31 the company ever made, one of which recently sold for $2.8 million. Earlier, another camera from the series sold for $1.7 million.

Wary Donor

Funding a project does not mean handing over money blindly. The World Bank, which is financing an ₹800-crore project to widen the Cuttack-Chandabali road in Odisha, has held back the money and pulled up the state for failing to acquire land needed for it. With just 30 per cent of the land acquired so far, the project, which should have been completed in 2008/09, is likely to bother the commuters for some more time.

HOW THINGS WORK

Private Space

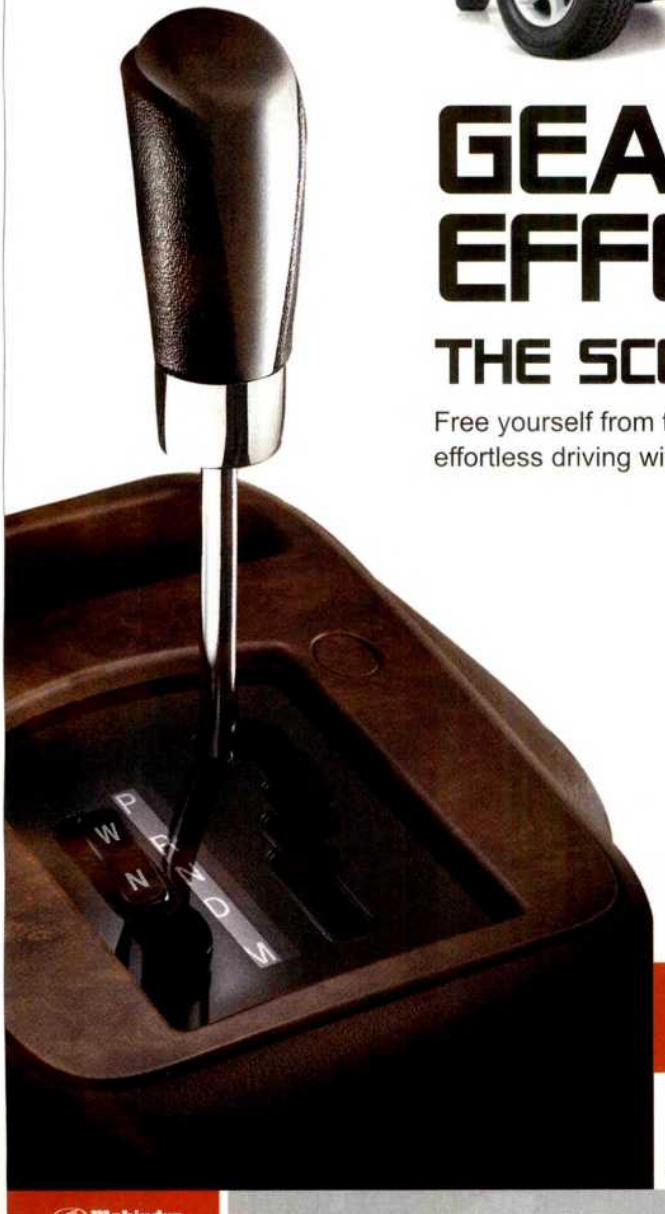
Space missions are no longer the preserve of governments. On May 22, for the first time, a private company launched a spacecraft, which docked at the International Space Station three days, six hours, 11 minutes and 23 seconds later.

What it is: A Falcon 9 rocket powering an unmanned Dragon capsule. It was built by Space Exploration Technologies Corp, or SpaceX, a California-based company, and launched from Cape Canaveral, Florida. Elon Musk, owner of SpaceX – who was also a co-founder of PayPal, has personally funded the project. In addition, the US's National Aeronautical Space Agency (NASA) put in $381 million of seed money. The capsule carried around 450 kg of provisions for the space station.

What will follow: After a week at the space station, the spacecraft will return to Earth, expected to splash down in the Pacific Ocean off California.

Purpose: This was a test flight to determine if private companies can handle such missions. The capsule carried only non-essential items. If all goes well, NASA will start outsourcing space missions, both unmanned and manned, to private agencies. SpaceX is one of several commercial space companies competing for federal dollars to develop space capsules.

COMPILED BY BASUDHA DAS



GEARLESS. EFFORTLESS.

THE SCORPIO AUTOMATIC.

Free yourself from the hassles of gears. Experience the luxury of effortless driving with the Scorpio Automatic.

- 6-speed Automatic Transmission
- Auto-engaged Uphill and Downhill modes
- Intelligent auto drive modes
- Anti-rollback when in 'Drive' mode
- Powerful 120bhp mHawk engine
- Dual Front Airbags
- ABS (Anti-lock Braking System)

JUST ₹11.2 LAKHS#

#Ex-showroom Price New Delhi

Mahindra Rise.

MIGHTY MUSCULAR SCORPIO Nothing else will do

www.mahindrascorpio.com facebook.com/mahindrascorpio youtube.com/scorpioadmin twitter.com/mahindrascorpio

Mahindra with you hamesha 1800-209-6006

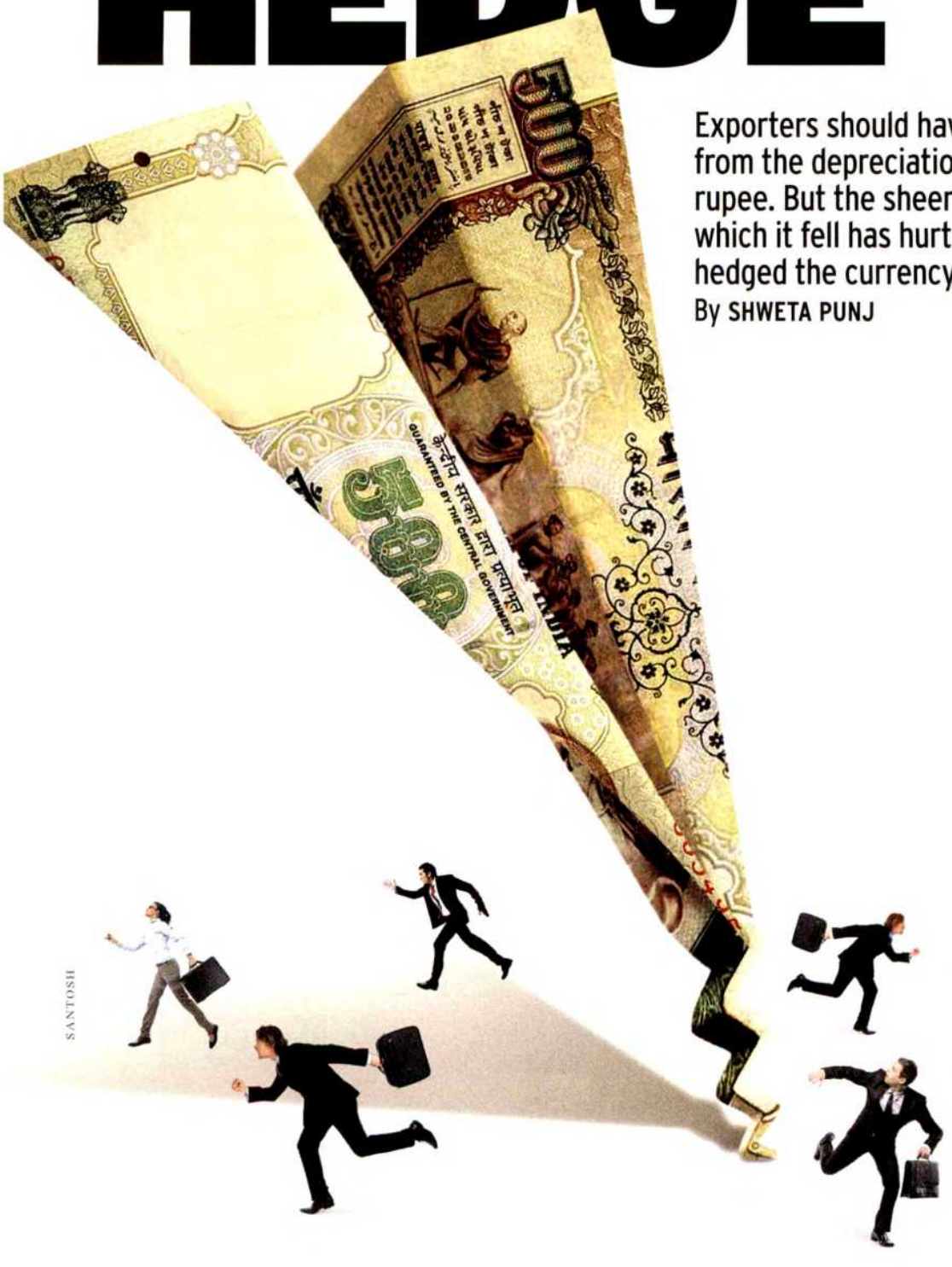
Take a test drive today. Call us on 1800-209-6006 (toll-free) or contact your nearest Mahindra dealership.
To know more SMS "Scorpio" to 5757577.
Accessories shown and mentioned above may not be part of standard equipment. Vehicle body colour may differ from printed photographs.

INTERFACE 28/07/10

PRICKLY HEDGE

Exporters should have benefited from the depreciation of the rupee. But the sheer speed at which it fell has hurt those who hedged the currency.

By SHWETA PUNJ



SANTOSH

I have the confidence to face life now," says Gouri, 24. She is deaf-mute, and uses sign language to communicate. The source of her confidence is her job at a factory in Kanchipuram, Tamil Nadu, 75 km southwest of Chennai, where, along with 2,000 other women, she stitches the seams of designer and sports bras, and earns a salary of around ₹4,000 a month. She keeps back only ₹500 for herself, sending the rest to her family in nearby Dharmapuri district. The bras she works on are all for export, going to global lingerie brands Victoria's Secret and La Senza, which sell them for $30 to $40 a piece.

With the rupee trading at more than 55 against the US dollar at present, compared to around 50 only months ago, every bra sold by the company is earning it more rupees than before. Other businesses may have been adversely hit, but surely the rupee's depreciation must delight exporters? Not so. The sheer volatility of the rupee in the last few months has in fact hurt those who hedged the currency and made long-term planning extremely risky for all. If the trend continues, hundreds of thousands of people from the poorest sections, who like Gouri have been empowered by their jobs with export units, face an uncertain future.

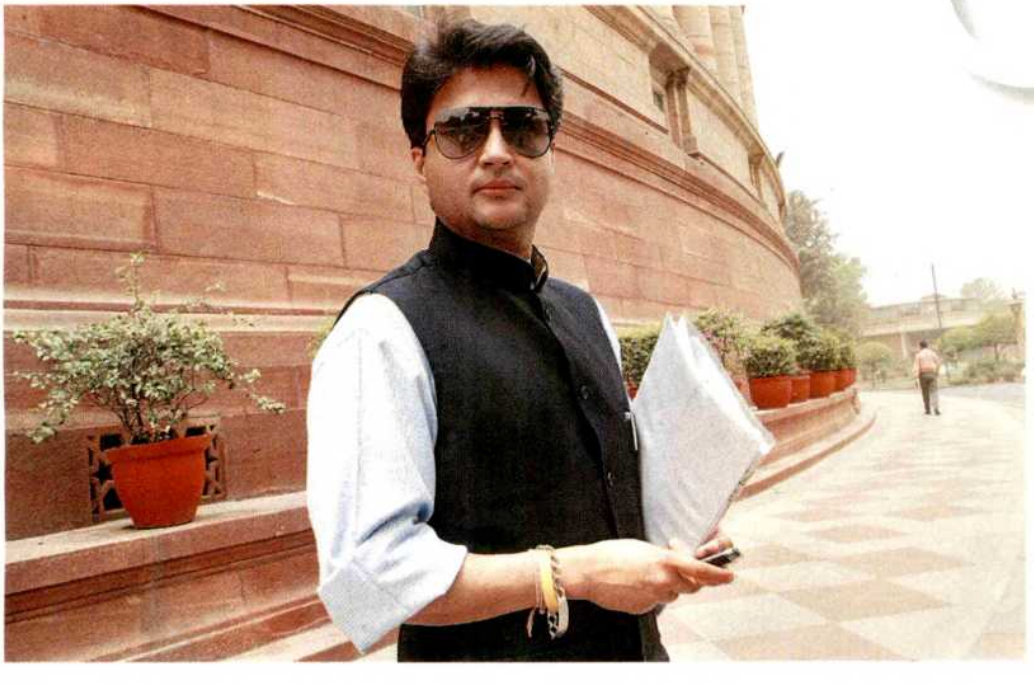
"With the depreciation of the domestic currency, exports are expected to get a boost because our goods become cheaper in international markets," says Jyotiraditya Scindia, Minister of State for Commerce and Industry. But the matter is not as simple. "No exporter is happy with the weakening rupee," says Rafeeque Ahmed, President, Federation of Indian Exports Organisations. Why not? "We are scared," says Ludhiana-based Rajnish Ahuja, who has been exporting engineering goods for nearly three decades. "Foreign buyers are very smart. They are asking for a 10 per cent discount now. But if the rupee appreciates tomorrow, we are worried they will want the discount to continue."

Discount dilemma

Given the narrow margins – which have shrunk from around 10 per cent to three to five per cent in the past year – being generous with discounts is not possible. But customers who ask for them cannot

"Export outlook is subdued given the global uncertainties and the macro-fundamentals of the economy"

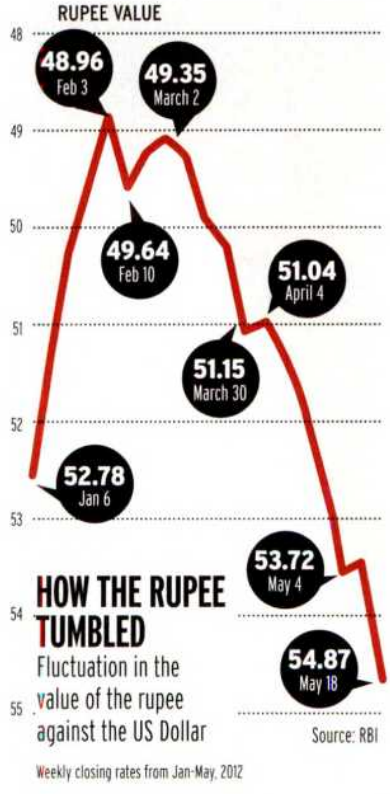
Jyotiraditya Scindia, MoS, Commerce and Industry



be dismissed either, given the growing competition India faces in the global market, with new suppliers like Poland and Slovakia jostling for the same space. "The average Indian exporter does not have the same bargaining power as before," says Ahuja. "We have competition from everyone. Those days when our only rival was China are gone."

Given the volatility of the rupee, the Reserve Bank of India (RBI) has been encouraging exporters to hedge – or seal contracts to supply goods at a pre-determined exchange rate for a future date, irrespective of what the market price then is. But most exporters – 60 per cent of whom are small and medium enterprises (SMEs) do not have the expertise to calculate risk and hedge profitably. "SMEs cannot afford treasury managers to advise them on hedging as they work on small margins," says Jagannadham Thunuguntla, Chief Strategist and Head of Research at SMC Global Securities Ltd.

The ones who have hedged are mostly making do with whatever advice they get from their banks. At the behest of Saraswat Bank, for instance, Pankaj Chaddha, owner of the Mumbai-based Jyoti Steel



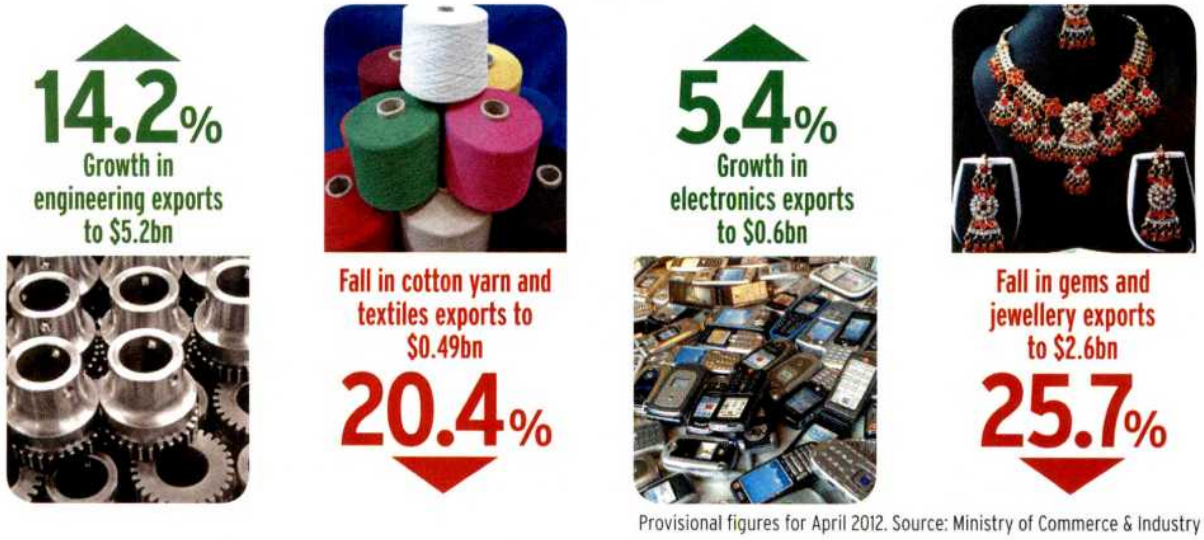
Industries which exports steel wires and bars, hedged orders at ₹50 to ₹53 against the dollar from April to June this year. From July, he is hedged at ₹57 to the dollar. But the dollar is already above ₹55 and if it stays that way till June-end, Chaddha stands to lose. "When I hedged, ₹50-53 looked nice," he says. "But when I look at ₹55 today, I feel I'm missing out. The way things are going I feel it is better not to hedge at all. If the government takes some decision and we are back at ₹50, I'll have to pay the difference."

The central bank has already begun tinkering with the foreign exchange market to arrest the rupee's fall. Analysts believe some appreciation may shortly follow: Barclays on May 25 forecast that the rupee would touch 52 against the dollar in six months, while Citigroup in the same week said it would be at 54.8 by March 2013 and 51.50 a year later. This may bring further losses to those who have hedged. "The instability is like playing Russian roulette," says Chaddha.

Stocking up

Finally, for many exporters, the rise in import costs of raw material offsets any export gains from the depreciating rupee. "A depreciating rupee will benefit those exporters whose product has a low imported component," says K.T. Chacko, Director of the Indian Institute of Foreign Trade. Exporters of gems and jewellery, for instance, import 90 per cent of their input. Some engineering goods also rely heavily on imports. Some of

WIN SOME, LOSE SOME



Provisional figures for April 2012. Source: Ministry of Commerce & Industry

BE PART OF IT

EMERGING KERALA 2012

Global Connect

12-14 September

Register online at

Govt. of Kerala

Event CII

Nodal

Welcome to the new Kerala. A Kerala that you are yet to explore. Teeming with opportunities, prospects and potential. Where business and pleasure exist in perfect harmony. Spearheaded by a pro-active government and famed the world over for its natural resources. This is the Kerala where the future is emerging. Come be a part of it.

"When I hedged, 52-53 looked nice, but when I look at ₹55 today, I feel I missed out. If the government takes some decision and we are back at ₹50, I will have to pay the difference"

Pankaj Chadha, Exporter

these exporters have tried to protect themselves by stocking up, but this option is not available to those who import – or manufacture – perishable commodities. The Jaipuria group's Gurgaon-based Varun Beverages Ltd, India's largest bottler of PepsiCo's drinks, for instance, imports a key component of the PET bottles it manufactures. But since PET bottles have a short shelf life, importing too much at a time is pointless. Input costs for the company have nearly doubled in the past year, primarily due to the weakening rupee. "It has had a high impact on our margins", says Chris White, President and CEO, Varun Beverages.

Exporters who do not need to import include those in the handicrafts, agriculture and software sectors. But they have other problems: agriculture is hemmed in by excessive regulation, handicrafts by inadequate branding support from the government, and software by the bleak economic scenario in the West which has led most information technology companies to project a modest outlook for 2012/13.

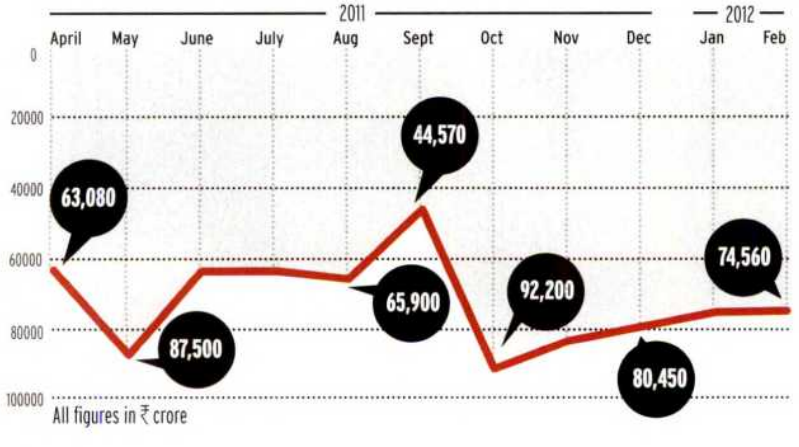
Bleak environment

Long term contracts have also become a no-no, particularly in the engineering sector, which was formerly used to long-gestation contracts. "At best I am committing for a quarter," says Rakesh Shah, Chairman of the Engineering Exports Promotion Council, who also heads the Kolkata-based Nipha Group, manufacturers and exporters of machinery equipment. "In January, I did get into an annual contract, but no more. In normal circumstances we book for 60 per cent of the year, and are booked seven to ei months in advance. But now gro has reached a plateau." Shah also hedged, but it has brought no advantage: the rupee repeat fell lower than he expected.

Add to this the overall econo scenario which shows no sign improving: India's gross dome product (GDP) growth in 2011 slipped to 6.5 per cent from 8.4 cent the previous year, the fi deficit, at 5.9 per cent remains w while the current account de (CAD) – the excess of imports c exports – is likely to be 3.8 per cer GDP this year, the highest ever, cording to C. Rangarajan, Chair of the Prime Minister's Econo Advisory Council. Economists h identified the rising CAD as a reason behind the rupee's fall. Ab all, the euro zone crisis rema alarming, reducing demand in affected countries. "Export outlo currently subdued given the gl uncertainties and the macro-fur mentals of the economy," says r ister Scindia. "As regards ex performance in the coming quar the global economic outlook wi a major determinant."

He also insists on the need f foreign trade policy that is in t with the changed realities of world. "We must revitalise expo confidence and bring about char for optimising export growth," says. Exporters can only hope means it. ◆

MINDING THE GAP | The difference between India's imports and exports. Imports have always been higher



Send your comments to editor.bt@intoda

A university evolved out of the professional values of leading institutes in architecture and design, technology and management, with over 4000 alumni, spanning across several decades.

A university that cultivates talent and enterprise through contemporary liberal curricula, emphasizes lateral thinking and incubates ideas that work.

A university located on a sprawling campus in the heart of Gurgaon, the world's largest urban agglomeration.

Transcend conventional learning through trans-disciplinary education

www.ansaluniversity.edu.in

ansal University
Gurgaon

(Established under the Haryana Private Universities Act, 2006)

Admissions Open

Sushant School of Art & Architecture	Sushant School of Design	School of Engineering & Technology	School of Management Stu
School of International Studies	School of Computer Applications	School of Applied Sciences	School of Humanities & Lang

Sector 55, Golf Course Road, Gurgaon, Tel: 0124-4750400/4750501, 9910122364, 9560470111, info@ansaluniversity.edu.i

ANATOMY OF A FAILED MERGER

No public enterprise in recent memory epitomises the adage "the government should not be in the business of running a business" as much as Air India. From being a market leader on domestic routes in 2001 – the operation was called Indian Airlines then, before it merged into Air India – to becoming an also-ran today, the airline makes for a case study on how not to merge two entities. Many insist the 2007 merger was doomed long before the latest strike. **Geetanjali Shukla** *lists the factors that have dragged the airline down and possible fixes based on conversations with experts:*

1 LEADERSHIP

Praful Patel, the aviation minister who led the Air India-Indian Airlines merger in 2007, has been keeping a low profile since a pilot strike stalled the airline's cash-making international operations. Current Aviation Minister Ajit Singh pulls his punches when he talks of coalition colleague Patel: "In retrospect, it is easy for people to say things. At the time of the merger it must have seemed the right thing to do." But others point out Air India has had four chairmen in the last six years with no one biting the bullet on tough decisions. "How can you think of achieving success with such instability at the top," asks Kapil Kaul, CEO-South Asia, Centre for Asia Pacific Aviation.

SOLUTION: Appoint a professional CEO backed by a strong board of directors and give him a free hand (Accenture, the consultant at the time of the merger, had recommended a minimum five-year tenure). In effect, the government will have to cede control of day-to-day running of operations and appoint independent directors (an experiment attempted earlier).

2 BLOATED HEADCOUNT

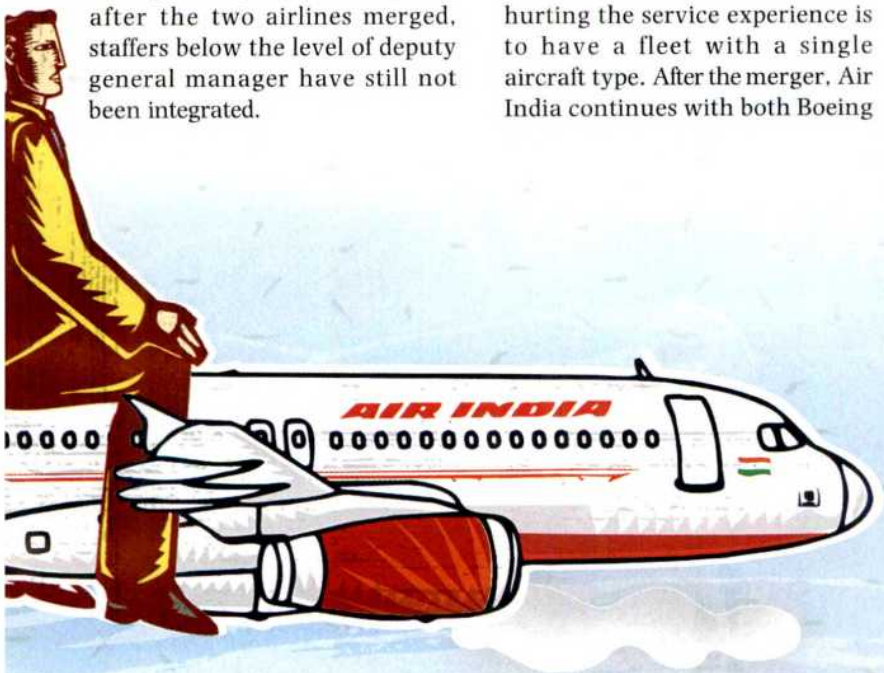
The merger brought together two disparate entities and created a behemoth with 30,517 employees – 214 per plane. Singapore Airlines has 161 while British Airways has 178. Air India's high employee-aircraft ratio is expected to come down to 110 per aircraft once 19,000 employees are transferred to two new proposed units – one for ground handling and the other for maintenance, repair and overhaul (MRO) operations. But, even here, workers want to be deputed rather than transferred.

SOLUTION: Carry out the planned spin-off of the ground handling and maintenance, repair and overhaul operations. Offer a voluntary retirement scheme if still necessary.

3 HR INTEGRATION

If the jumbo-sized staff was not enough of a headache, the way the management went about integrating the workforce made for a perfect storm. No attempts were made to standardise hiring policies for the rank and file. Air

India has a five-day week; Indian Airlines has a six-day week. Indian Airlines pilots were promoted unconditionally once in six years while Air India pilots complained they got their turn after 10 years – if there was a vacancy. The ground handling teams of the two airlines continue to operate separately... "Before the merger, due diligence on HR issues was very poor," says CAPA's Kaul. Some of the gaps are being addressed but the process has been painfully slow. Five years after the two airlines merged, staffers below the level of deputy general manager have still not been integrated.



Even before the report by the Dharmadhikari Committee, set up to look into Air India's HR issues, was released, Air India CMD Rohit Nandan told *BT*: "It will not be an easy report to deal with." The panel has suggested uniform working hours and pay scales, among other things. But that, at best, is a beginning.

SOLUTION: Air India will have to cut layers of management, align staff by role, bring in lateral hires, overhaul customer-facing functions, and implement a massive training exercise. And, rein in pilots and engineers, even if it means a partial lockout. Minister Singh's answer was a noncommittal "I hope not", when asked about such a possibility.

4 AIRCRAFT, TICKETING

Look at any modern airline operation and you notice the obsessive attention to pare costs. And, one way airlines have successfully worked at eliminating expenses without hurting the service experience is to have a fleet with a single aircraft type. After the merger, Air India continues with both Boeing and Airbus-made planes: the international operations are run mostly by wide-body Boeing 777 jets, while domestic routes mostly use A320s. The result: high operations, maintenance, and manpower costs.

Air India was also hurt by the delay in integrating the two airline reservation systems. A single system allows it to sell tickets under one airline code, join alliances and ink code-share agreements. It took until February 2011 for a common reservation system to come up.

For full interview, go to
www.businesstoday.in/ajitsingh

SOLUTION: There are airlines that run successfully with two or more aircraft types. But India is a price-sensitive market, and a model built around a single aircraft-type makes compelling sense. IndiGo, India's only profitable airline, uses 56 Airbus-made jets to fly to places as diverse as Bangalore and Bangkok. Airline mergers the world over have had abysmal success rates. Even the Delta Air Lines and Northwest Airlines merger in the US, considered successful, took more than two years to start operating as a single carrier.

5 LEAKY FINANCIALS

No business enterprise, not even one backed by the sovereign, can survive years of losses with no turnaround visible. The airline's total debt, as of financial year 2011, was ₹44,000 crore. About half of that is from long-term loans for aircraft purchase. A CAG report termed the purchases a "recipe for disaster". While acquiring some 110 new planes may have made strategic sense for the national carrier in the mid-2000s, Air India did not have the financial health to sustain a spend of ₹40,000 crore.

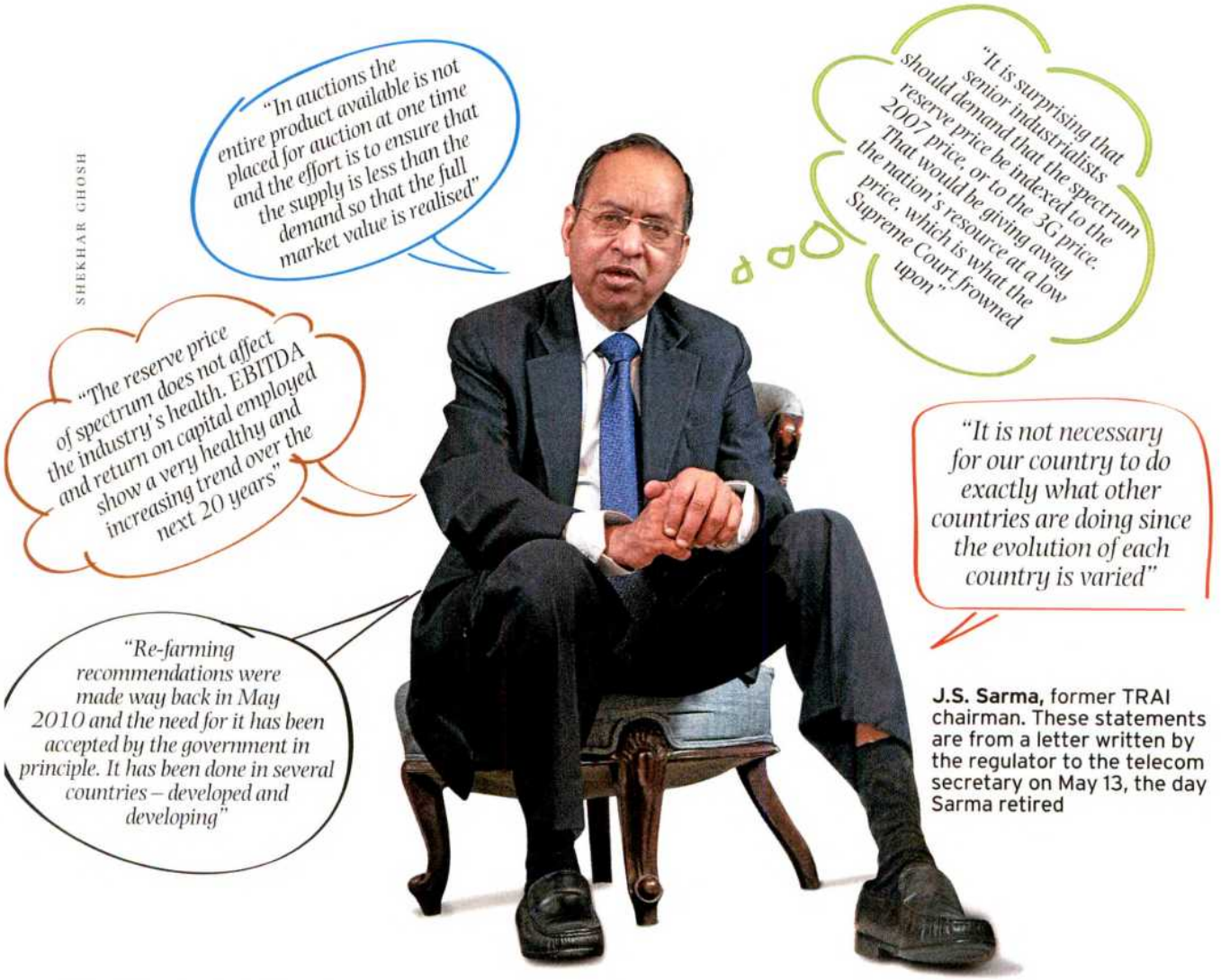
SOLUTION: Turning Air India around will be a long haul. The government and the airline should be clear that the odds of its survival are slim. But together with incentives, a charismatic leader and conditional support from the government, Air India could fly again. The flag carrier did so well in the 1960s and 1970s that a certain fledgling airline from Singapore came visiting to learn from it and grew into the feted Singapore Airlines of today. ◆

Send your comments to editor.bt@intoday.com

REGULATOR WITHOUT A FAN

J.S. Sarma is unlikely to be flooded with greeting cards this Diwali from the industry he regulated for three years. He is equally unlikely to fret over it.

By SUVEEN K. SINHA



SHEKHAR GHOSH

J.S. Sarma, former TRAI chairman. These statements are from a letter written by the regulator to the telecom secretary on May 13, the day Sarma retired

T.V. Ramachandran hands over his business card flip side up. It says: "Hello my name is TV." Dressed in a half-sleeve white shirt and blue tie, he hands over the card mock-ceremoniously. Next moment, the smile gone, he talks of being tired, very tired.

TV was the head of what used to be Essar Cellphone in the 1990s and ran the Cellular Operators Association of India (COAI) for a dozen years before joining Vodafone as Resident Director in New Delhi. He cannot believe he is, nearly two decades after joining the telecom industry, locked in yet another policy battle.

He is not alone. Chances are that by now you would have heard or read Sunil Bharti Mittal, who heads the group that bears his middle name, saying: "This has been the most destructive period of regulatory environment in 16 years." What Himanshu Kapania, Managing Director of Idea Cellular, tells *BT* is more ominous: "This is a dark period... We will move from wealth to death knell."

TV's global boss Vittorio Colao, Kapania's boss Kumar Mangalam Birla, and Mittal wrote a joint letter to the Prime Minister saying more of the same: their industry faced ruin because of policy proposals that made no sense. Normally, in the marketplace, their rivalry is war minus the shooting. But now they stand together, watching each other's backs.

What has brought them together is a set of proposals made by a soft-spoken sexagenarian. And they hate it.

J.S. Sarma, the man the telecom companies revile, handed in a set of recommendations on April 23, just three weeks before he retired as the chairman of the Telecom Regulatory Authority of India (TRAI), on the auction of spectrum, the airwaves that carry telephony services. He had to do it under an order by the Supreme Court, which on February 2 struck down the 122 licences that were under the 2G scam cloud and told the government to quickly re-auction them.

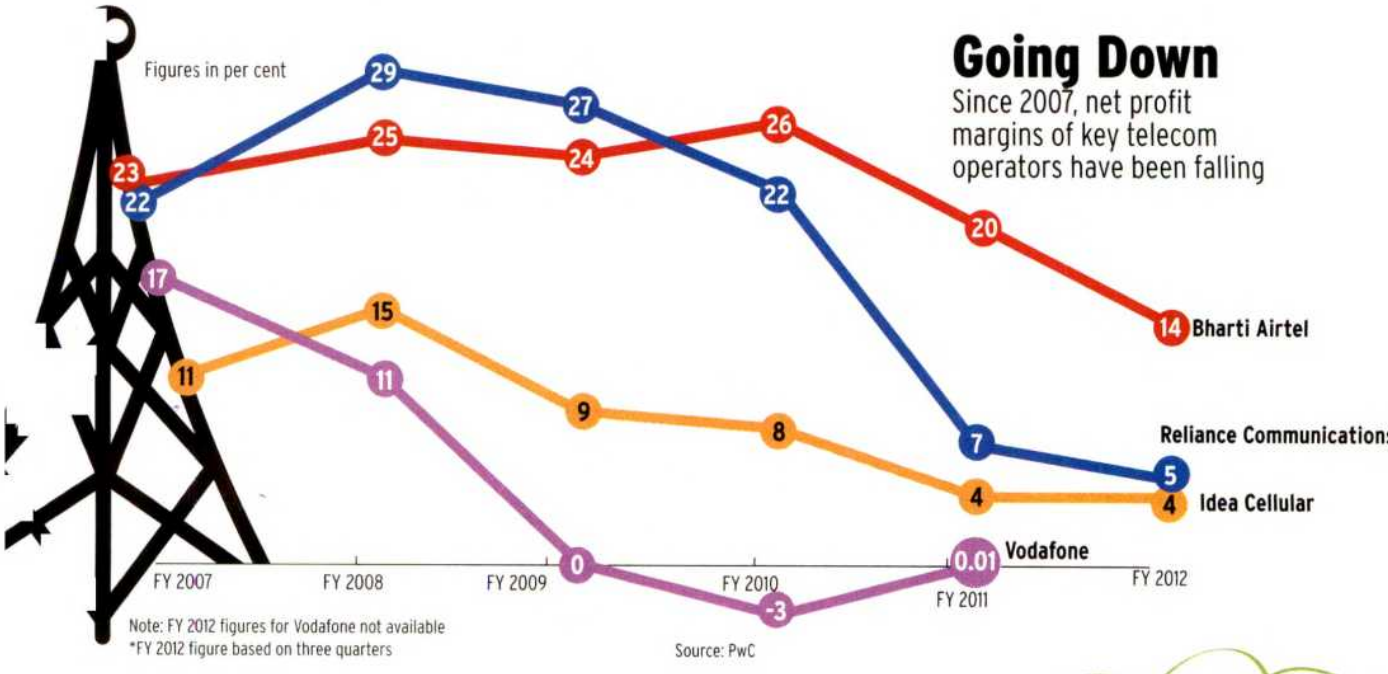
The recommendations that rile the industry the most are on pricing and re-farming. At ₹3,622 crore for every megahertz (MHz) of the 1,800 MHz band, which is what the cancelled licences carried, it is 10 times what was paid under those licences in 2008.

And this is just the reserve price. In the 3G auctions of May 2010, which is the last spectrum price discovered through bidding and forms the basis of TRAI's calculations, the winning bids were up to five times the reserve price.

The naive thought this would end the aspirations of those stuck with cancelled licences – Uninor, Etisalat, Sistema Shyam, and others – which have already written off huge investments in the country and

"This has been the most destructive period of regulatory environment in 16 years"
SUNIL BHARTI MITTAL
Chairman and Group CEO, Bharti Enterprises

"This is a dark period... We will move from wealth to death knell"
HIMANSHU KAPANIA
MD, Idea Cellular



would struggle to muster the additional amounts needed to reactivate their licences.

That it would, but the entrenched players – the incumbents – are equally alarmed. Many of them hope to participate in the auctions and, more important, will need to renew their first licences, issued in the mid-1990s, from 2014 onwards.

This is where TRAI struck what the industry saw as a second crippling blow. The renewal of licences, Sarma's TRAI believed, would be the right time to introduce re-farming: taking away the 900 MHz spectrum, mostly with the incumbents, and redistributing it. This spectrum, being of lower frequency, is more efficient and needs less investment in infrastructure than the 1800 MHz band and above.

No one was therefore surprised when, soon after the recommendations were released, executives of Bharti, Vodafone and Idea – the incumbents – spoke in one voice with Uninor and Videocon – holders of cancelled licences – that the recommendations would double the tariffs for consumers.

"Re-farming will unconnect the connected"

It is not that their hearts bleed just for the consumer. Assuming that the spectrum purchases are funded by debt, the industry will have to raise additional loans worth ₹2.72 trillion (one trillion equals 100,000 crore), according to an assessment of TRAI's recommendations done for COAI by consultancy firm PwC. That the industry is already creaking under a combined debt of nearly ₹1.86 trillion is hardly a source of comfort.

"That is just the impact of acquiring spectrum; the companies will also have to make other investments in rolling out and operating their services," says Mohammad Chowdhury, who heads PwC's telecom practice and was the lead writer of the report.

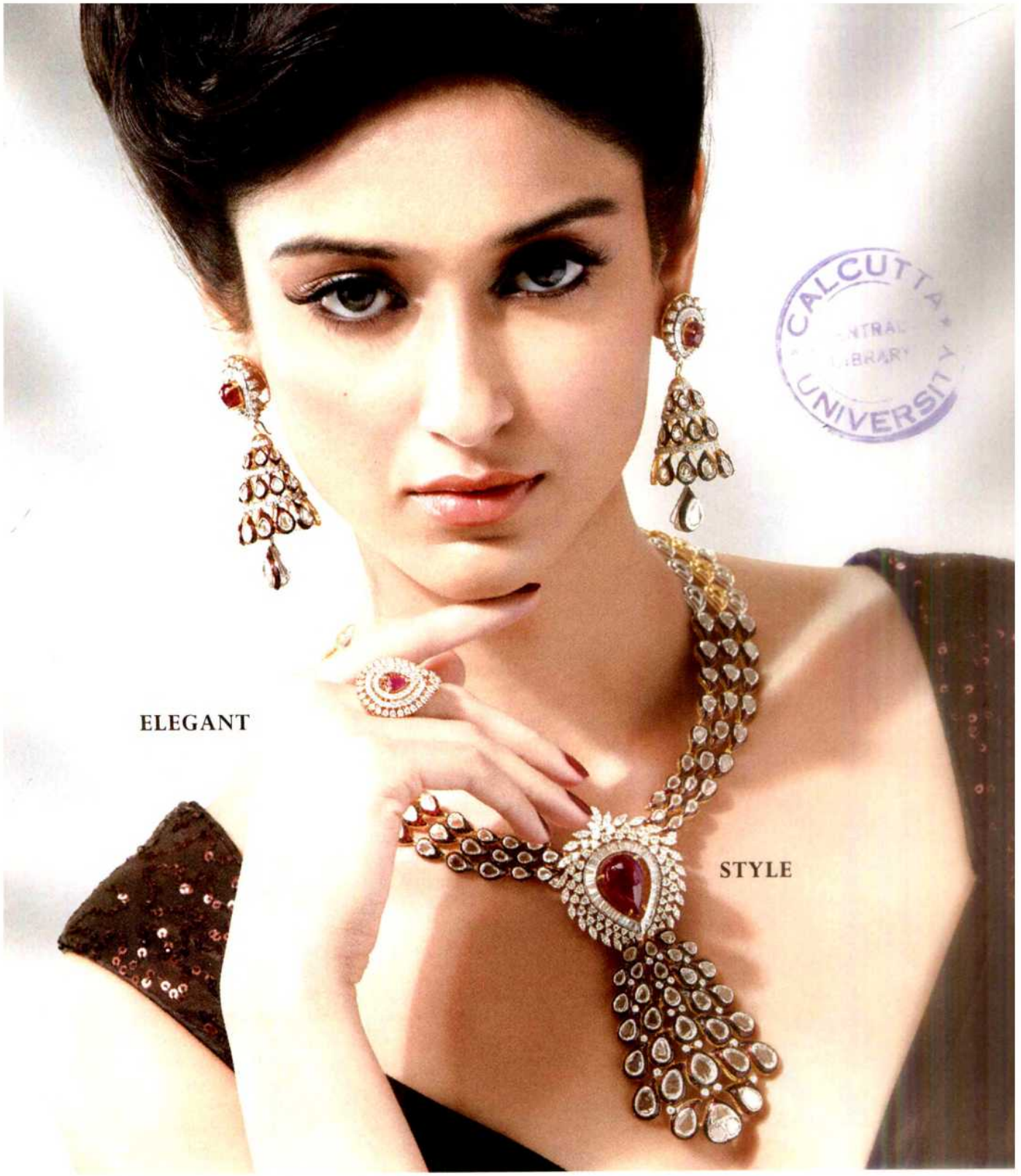
And that is what just the pricing recommendations will do. The prospect of "re-farming" also strikes terror. If companies have to switch their services from one frequency to another, they will have to use different base transceiver stations, which connect the user to the network.

"TRAI's recommendations will lead to prolonged disputes and litigation"

"It is our estimate that ₹25,000 crore worth of assets will have to be written off and fresh investment of ₹1 trillion made by the industry in new equipment," says Idea's Kapania. Until this is done, large swathes of the country will stay disconnected, their phones no more than paperweights. "Rural consumers will be the worst hit; our 100,000 villages will be without services," says Kapania.

Telecom regulation has often been seen as capricious, favouring one company over another and one technology over the other. But this time there is more gloom than before. A generally ebullient top dog at a large company speaks for many of his peers when he says: "For the first time, it is a question of survival."

The tears do not move Sarma,



CALCUTTA UNIVERSITY CENTRAL LIBRARY

FOREVER®

JEWELLERY

Lamhon Ko Yaadein Bana De

AHMEDABAD • DELHI • HYDERABAD • NAGPUR • NOIDA • SURAT

LIFETIME BUYBACK/EXCHANGE • 100% BIS HALLMARK JEWELLERY • 100% IGI/EGL CERTIFIED DIAMOND JEWELLERY • ISO 9001 : 2008 CERTIFIED COMPANY

Unsustainable Industry Debts

The debt burden of the Indian telecom industry has increased significantly since 2009 to reach at ₹1.86 trillion

Figures in ₹ trillion

Source: PwC

"Indian telecom is set to go from being the highest performing infrastructure sector to the worst performing"

whose drawing room has for three decades displayed imprints of a 1,000-year-old rock edict laying down the rules of India's trade with Rome. Appearing with his successor Rahul Khullar before a Joint Parliamentary Committee on May 29, he defended his recommendations with cool mathematics.

Those who know Sarma say he believes the companies can easily afford his prices. After all, they did bid exorbitant amounts in the 3G auctions just two years ago. His calculations say they can reap many times their investments. They can offer whichever service they want since the spectrum is being made completely technology-neutral. The impact on the consumer will be minimal because the tariffs will not rise any more than 5 paise for a call – a small price to pay when the government stands to gain ₹7 trillion from the sale of spectrum.

And that is where the companies join issue with Sarma. The intent of telecom policy, they say, should not be to maximise revenue to the government. That will kill the goose that lays golden eggs not only in its own nest but also in the related industries of information technology, e-commerce, health, and education. "An increase of 10 per cent in telecom penetration adds 1.6 per cent to the gross domestic product," says Kapania.

Besides, the 3G bids rose because there was a small quantity of spectrum on offer and every company had to either have 3G in its bouquet or lose the high-end consumers. According to Kapania, the reserve price in this year's auction should be calculated by taking the 2008 price and factoring in notional interest taken at the State Bank of India's prime lending rate.

That would work out to less than a fourth of Sarma's price. Industry insiders say they will be happy even if the reserve price is fixed at twice this amount, or even a little more.

"TRAI has created an artificial scarcity of spectrum by strangulating its supply and has set an exorbitant reserve price"

As of now, the companies may have their nose ahead. They say the new TRAI chairman looks sympathetic when they tell him their woes. They believe that the reserve price may be fixed considerably below Sarma's levels. There is a letter doing the rounds in which a senior bureaucrat questions some of TRAI's methods. That the Telecom Commission, the highest policymaking body in the department of telecommunications, doubled the spectrum on offer to 10 MHz is seen as a big relief.

However, the New Telecom Policy approved by the Union Cabinet on May 31 embraces the refarming the industry so dreads.

So, what can be the worst case scenario? "TRAI's recommendations seem to raise spectrum prices to a level where only the incumbents, mainly Bharti and Vodafone, can afford it. This could accelerate market consolidation without mergers and acquisitions. In the medium term, it is difficult to see any sustainable vendors beyond Bharti, Vodafone and maybe Idea," says Ankur Rudra, who heads telecom research for Mumbai-based Ambit Capital.

While we ponder that, Sarma will put his feet up and relax. Those who have spoken to him lately say he, too, feels tired – sick and tired. ◆

ADDITIONAL REPORTING BY RAJIV BHUVA

Send your comments to editor.bt@intoday.com

XLRI Jamshedpur
School of Business & Human Resources

WEATHERHEAD SCHOOL OF MANAGEMENT
CASE WESTERN RESERVE UNIVERSITY

Jointly offer an Innovative Program

MASTER OF SCIENCE IN POSITIVE ORGANIZATION DEVELOPMENT (MPOD)

Format & Duration: There will be 6 separate week-long modules spread over 15 months. The modules will be conveniently spaced 10 to 12 weeks apart in order to enable busy executives to attend the program with minimum disruption of their work schedule.

The period between modules will be used for live projects under the guidance of the program faculty.

Ideal Candidates: Executives passionate about leading change and institution-building based on their organization's inherent, but often overlooked strengths *(rather than being preoccupied only with overcoming shortcomings)*. Candidates may be from any functional discipline with around 10 years of managerial experience.

Faculty: The MS program will be taught by a team of professors drawn from both XLRI and Case Western. It will include renowned scholars such as David Cooperrider, Richard Boyatzis, and Ronald Fry.

Certification: Candidates who successfully complete all the 6 modules will be awarded:

- Master of Science Degree in Positive Organization Development (MPOD) by Case Western University; and
- Postgraduate Certificate in Positive Organization Development (CPOD) by XLRI.

Venue: Three modules will be at XLRI's campus in Jamshedpur, one in Lonavala, and two at Case Western's campus in Cleveland (USA).

Fee: US$35,000 *(payable in 3 convenient installments)* + service tax as per rules. This fee includes accommodation during the 6 modules.

Program Commencement: November 2012.

Application: Please visit www.xlri.ac.in/mpod to download the program brochure and application form.

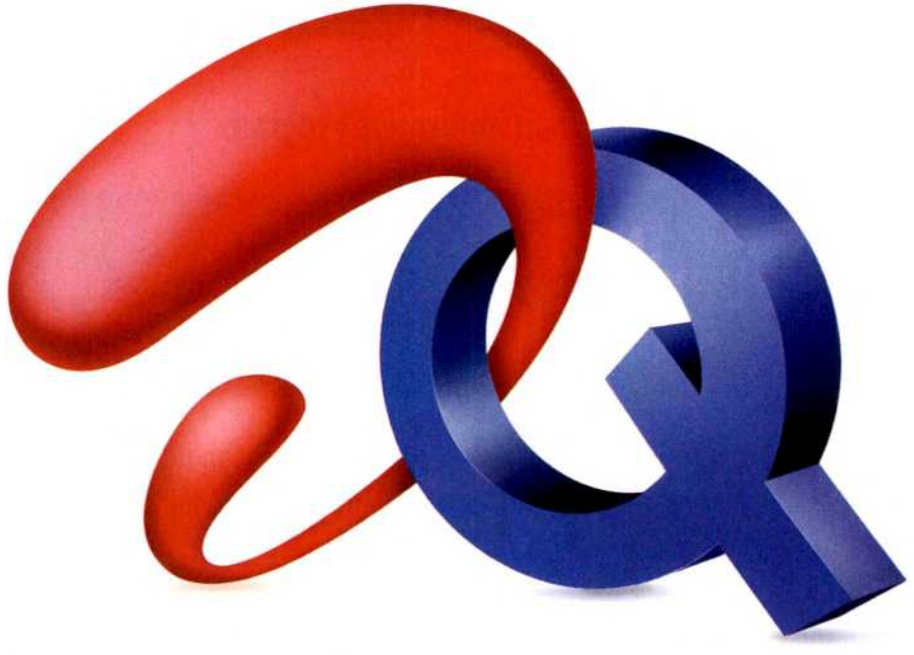
Application deadline: July 31, 2012.

Selection process: Selection of applicants will be based on telephonic interviews conducted by the program faculty.

For more information, please contact:

mpodoffice@xlri.ac.in or jittusingh@xlri.ac.in and

Please watch Ronald Fry on YouTube (http://www.youtube.com/watch?v=id37XjFPEIA)



SANTOSH

BIGGER BET ON DATA

Bharti Airtel's decision to acquire a Qualcomm unit shows it is serious about broadband wireless. Qualcomm wins, too. By SUNNY SEN

Early in June 2010, when bids to broadband wireless access (BWA) licences were finalised, San Diego, US-based Qualcomm was a surprise winner. The chipmaker had won licences in four telecom circles, including Delhi and Mumbai, to offer high speed data services using what are popularly called fourth-generation (4G) services.

Almost two years later, on May 24, Qualcomm announced Bharti Airtel had picked up a 49 per cent stake in Wireless Business Services Pvt Ltd, the chipmaker's BWA licen- see here in India. Wireless Business Services was a joint venture between Qualcomm, Tulip Telecom and Global Holding Corporation.

Bharti, which has already launched BWA services in Kolkata and Bangalore, paid $165 million, or ₹924 crore, to acquire Tulip and Global Holding's combined 26 per cent stake and rest by way of fresh equity.

The deal is a crucial milestone for Bharti, India's biggest phone services firm by revenues and customers, and is expected to shape the contours of the nascent data services industry in India. For Qualcomm, the reason to buy BWA licences – it has done similar deals in the United States and Britain – was only to steer services towards its so-called Long Term Evolution (LTE) technology, which is seen as the clear choice of network operators when it comes to offering wireless data services.

"Qualcomm's investment in the BWA venture was to accelerate the deployment of LTE," said Avneesh Agrawal, President, India & South Asia, and Senior Vice President, Qualcomm, at an event before the Bharti deal announcement. An in-

dustry executive who has been following Qualcomm's moves said the company's bids were aimed at winning in Delhi and Mumbai, areas with the highest data traffic in India.

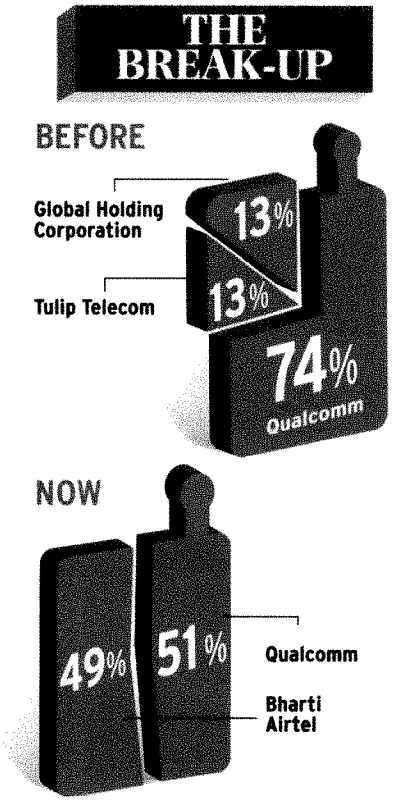
Access to these two circles is the big gain for Bharti, which won four BWA licences in the 2010 auctions. Wireless Business Services's other two licences in Haryana and Kerala give Bharti access to markets it was not present in. The acquired licences take its count of circles with BWA licences to eight – positioning it better to fight Mukesh Ambani-controlled Infotel, a 4G aspirant with 22 licences.

3G Progression

The other benefit of the deal is that Bharti gets access to scarce wireless frequency. Telecom operators, who bid nearly ₹1 trillion (one trillion equals 100,000 crore) for third generation (3G) licences, received rights to just 5 megahertz (MHz) of spectrum each. With an acute spectrum scarcity affecting voice services on current second generation networks, operators who won 3G spectrum have been routing voice traffic to such frequencies. This has resulted in poor data access speeds that would have otherwise been delivered on 3G spectrum.

This is where BWA licences, which come bundled with access to 20 MHz spectrum capacity, become valuable. When voice traffic on 3G networks increases substantially, the data can be sent and received over LTE networks. "This will provide opportunities to operators to do optimal way of routing the traffic," says Mohammad T. Chowdhury, telecom industry leader at PwC.

Others believe big customer uptake in the immediate future will come from customers using data cards with notebook computers.



AIRTEL GAINS

- Gets four new circles from Qualcomm to operate high-speed wireless broadband
- Will be able to route data traffic on BWA in high-density area like Delhi and Mumbai

QUALCOMM GAINS

- Partners with Airtel, India's largest telecom operator, to push its LTE technology
- Will be able to offload financial burden incurred to buy spectrum by end-2014

"The biggest near term impact of LTE will be on data cards. Airtel will also do the same – drive their data card business with LTE," says Dunigan O'Keeffe, who heads the India telecom practice and Asia M&A strategy at consultancy Bain & Co.

Data as a business may be very small today but in a nation with low Internet penetration, mobile data services hold huge promise. By 2015, a Qualcomm presentation estimates that there will be 112 million 3G users and another 16 million LTE users in India.

Further, given that LTE is the next stage of 3G technologies, offering both services on the same device – smartphones or tablets – is already a reality. Qualcomm not just receives proportionate royalty on LTE devices sold, it can count on two of India's biggest bets on 4G being made on LTE – Reliance's Infotel and Airtel. Plus, it had made a handsome premium on the cash it invested to acquire its BWA licences. By end of 2014, it expects to exit the joint venture and completely hand it over to Bharti.

Companies like Nokia Siemens Networks which bought Motorola's network business have started offering LTE networks and devices and will soon start shipping them. "We will be providing our devices to Bharti for their TD-LTE network in Maharashtra," says Samar Mittal, Head of Sales Development at NSN.

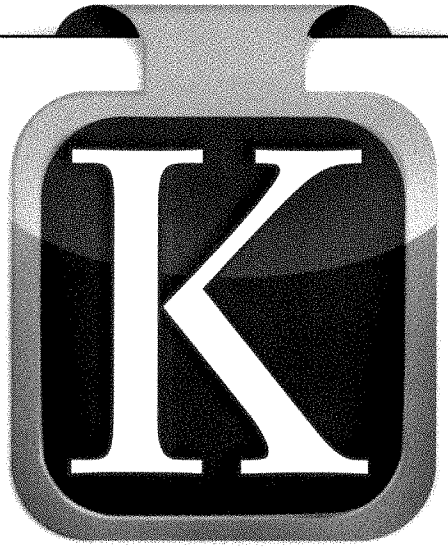
Meanwhile, according to the industry executive quoted earlier in this story without name, Bharti is in talks with Augere, which holds one of the two BWA slots in Madhya Pradesh. The Airtel-Qualcomm story may be just beginning. ◆

www.businesstoday.in/biyani-speak

"WE LOST THE PLOT"

Kishore Biyani reveals why he sold a controlling stake in his flagship Pantaloons stores to the Aditya Birla Group in a candid conversation with

CHAITANYA KALBAG



Kishore Biyani is waiting, relaxed, in a darkened hotel suite. He's just flown in from cool London to broiling Gurgaon. He talks softly and very fast, jumping in before you're done. He's only 50 years old, and has lived, breathed, talked and experimented with the business of retail for close to three of those five decades.

Just over three weeks earlier, Biyani shook hands in Kolkata with a younger, richer and equally ambitious fellow Marwari, Kumar Mangalam Birla, sealing the sale of what will be a controlling stake in his flagship Pantaloons retail stores business to Aditya Birla Nuvo Ltd. But the man in the hotel room is excited by what lies ahead. Why, just athwart that expressway, sprawled across the basement of a glittering mall, is one more of his hypermarkets. Most of us see a shimmering heat mirage in the distance; Biyani sees thousands of shoppers trooping into yet another Big Bazaar and hears the clanging of the cash registers.

Wait a minute – hasn't he just sold the crown jewels in the retail empire he built from scratch? "I still believe in that dream," Biyani says. Is he sad he had to do it? "No I don't feel that. I have understood something: in India people are very emotional about business...people feel that if someone is selling there has to be some act of desperation in selling. I don't think so. I think alliances, mergers, partnerships are a way forward and that should not be seen as (an) exit."

Biyani frequently describes himself – and so do his family and associates – as a rebel and an iconoclast in his own 2007 book *It Happened In India*. He has always been unafraid of striking out in new directions. By the time he was 26, he had already sold trouser cloth branded WBB (white, blue and brown), ready-made trousers called *Patloon*, started and closed a company called Dhruv Synthetics, and then launched Manz Wear, the precursor to 'modern' retail and the Pantaloons brand. "There are three kinds of entrepreneurs – creators, preservers and destroyers," Biyani writes in his book. "I consider myself to be both creator and destroyer. Preserving the status quo has never been my cup of tea."

VIVAN MEHRA/www.indiatodayimages.com

> "I have made mistakes, that is why I am advising. You become an expert after you make mistakes"

Biyani is fighting a rising tide of debt. The sale to Birla "will help reduce the company's debt by ₹1,600 crore". How much debt his Future Group carries is a moving figure. Widespread estimates put it at between ₹7,000 and ₹8,000 crore, but Biyani says the debt figure is wrongly inflated by his non-banking finance company, Future Capital Holdings. "(Minus the NBFC) last year we were at 4,800 (crore). This year we will be at around 5,500 to 5,700 crore at this moment. After this sale [to Birla] Pantaloon Retail would become debt free and then debt only remains in our Future Value Retail business" which operates the Big Bazaar (160 stores at last count) and Food Bazaar (44 at last count) chains.

Biyani has already declared he wants to sell his entire 53.67 per cent stake in Future Capital Holdings to Future Value Retail as a precursor to hiving it off. He is also looking for a buyer for his insurance business, Future Generali. "Six months ago I said I'd be debt free. People don't believe that and I want to prove that I'll be debt free. So that's a mission. If I can build businesses, I can reduce debt too," he says.

Is he circling his wagons against an enemy economy? Or is he just sticking to his knitting? Clearly he is pulling back from financial services. "It will help us to make our retail business grow... We wanted to concentrate on food and fashion as core businesses... so other businesses we could have always exited," says Biyani. The government's timidity in allowing foreign direct investment (FDI) in multi-brand retail has added to Biyani's impatience. "Exit doesn't mean you're selling off, it means you are part divesting, getting in a strategic partner," he says a trifle vehemently. "Growth gets taken care of by funding which they (partners) bring... many options emerge. Today there are no options; domestic players are the only option."

So Biyani says he is emotionally "quite satisfied" by the route he has taken. "Unfortunately our satisfaction is not translated into people's understanding. That will take time."

In his book he writes that his goal is to get at every rupee in every Indian's wallet. Is that happening? "We lost that plot to be very honest," he says, sipping his tea reflectively. "Earlier we thought that it is good to capture every paisa in the wallet of the customer. But now we are concentrating on food, fashion and home rather than doing everything. Then everything becomes small and too much to manage. It adds to the complexity."

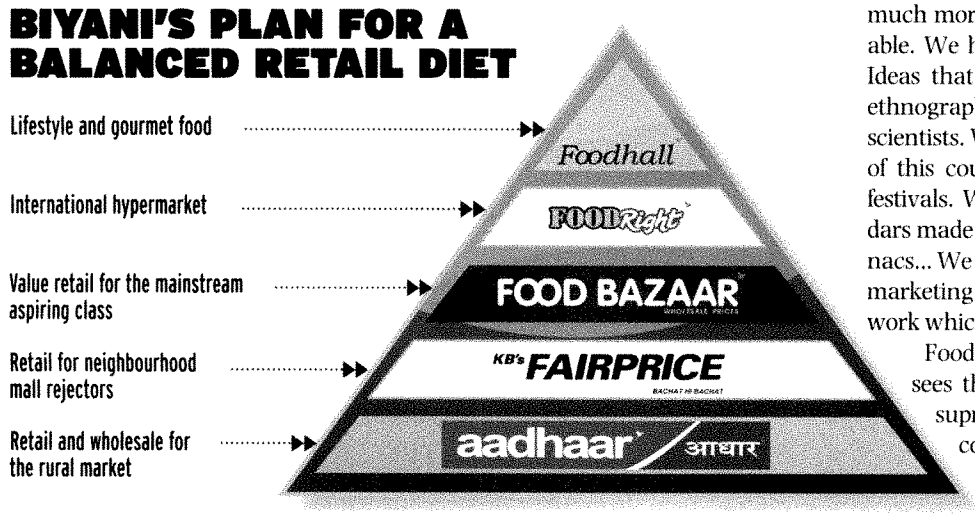
Is he admitting that he grew too big too fast? Did it all become too big to manage? "Too big to manage and too much of micro-management. That was not possible," he says. But he reacts to criticism that he has not brought enough outside professionals into his business by listing foreigners who have headed different divisions. He laughs: "Unfortunately I take away the limelight."

Is India too difficult a place to do business, as the Cassandras would have it? "When we entered we all knew about it. It has gotten a bit more difficult in a sense," Biyani says. Has it got more difficult when it should have got easier? "I think I'd put it differently. I think first-generation entrepreneurs have to be encouraged in this country... that is a point to which I would agree more than anything else. New jobs get created by new entrepreneurs."

Then he snaps out of his reverie. Consumer spending has not been negative despite all the doom and gloom. What insights has he gained into buyer psychology? First, that Indians are "very price conscious". And much more than that: "It's unbelievable. We have an arm called Future Ideas that does only this. We have ethnographers, mythologists, social scientists. We track every community of this country – their habits, their festivals. We have around 12 calendars made out of communities' almanacs... We do a lot of community-wise marketing of products. It's a piece of work which we are very proud of."

Food is where Kishore Biyani sees the Future Group reigning supreme. He has the entire consumer pyramid covered: from Foodhall for 'life-

BIYANI'S PLAN FOR A BALANCED RETAIL DIET



Source: Future Group

style food' to FoodRight ('international hyper') to Food Bazaar in the middle, to KB's Fairprice for the 'neighbourhood mall rejectors' and, at the very bottom, the Aadhaar rural wholesale and retail food services. KB's Fairprice shops will create *kirana* franchisees and Biyani plans to open 1,000 stores in the next 18 months. "So that's a big one for us," he says. "Food is something which can grow as much as you want."

For full interview, go to
www.businesstoday.in/biyani-speak

He is starting his first food park in Bangalore. Aadhaar – not to be confused with the Unique ID project – will focus on processing, branding, distribution and retail. "Grading, sorting, packing of fresh food and materials. So we are into every category. That is where we believe the next big growth opportunity in India is," Biyani says.

He is certainly not afraid of competition. He is sitting on more than 16 million sq. ft. of retail space. The Pantaloon Retail spinoff will lop two million off that, but he says he will add an equal amount this year. Nearly 10 million sq. ft. are occupied by Big Bazaars. "So in terms of lead, we are significant. We are in 90 cities. We are there. Nothing has got diluted out there!"

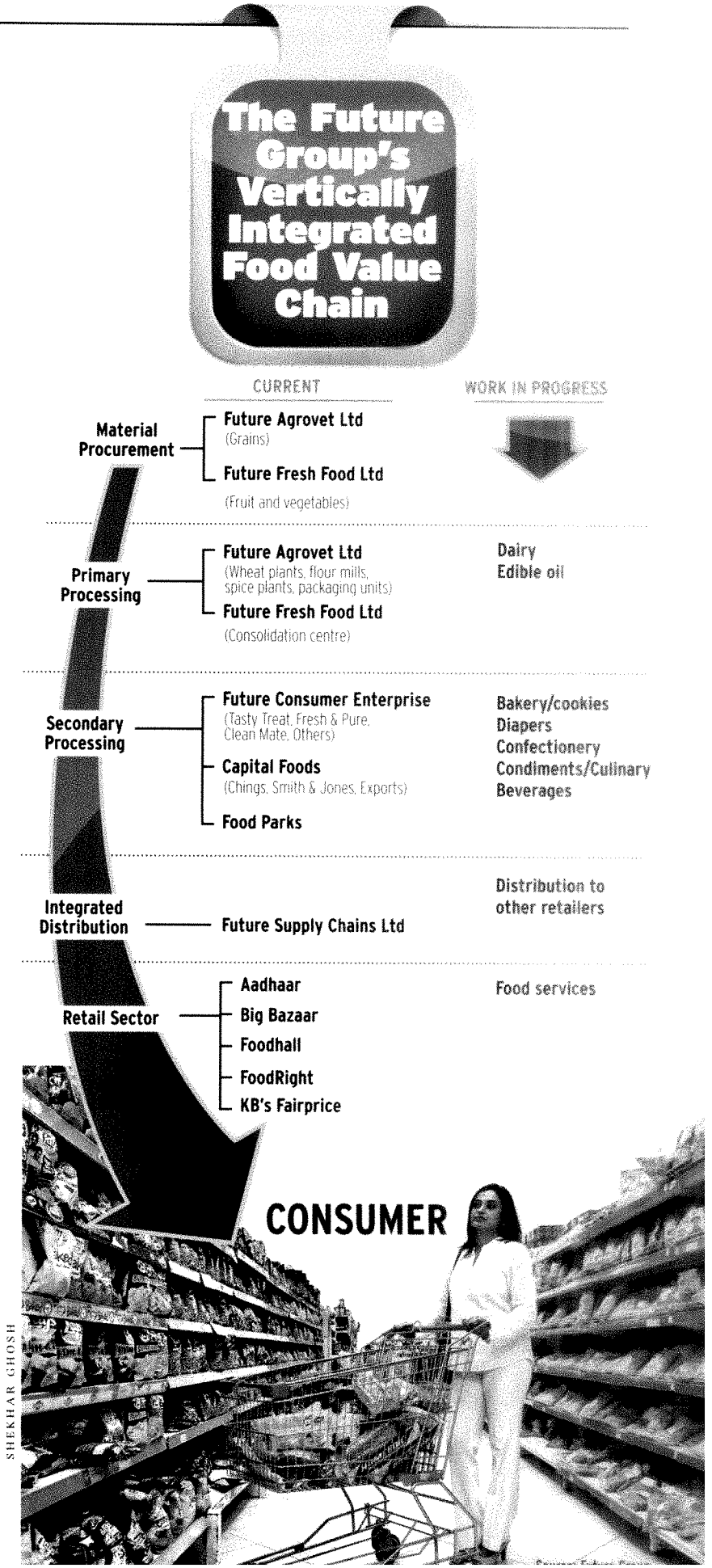
The afternoon shadows are getting longer, and Biyani is itching to visit one of his Big Bazaars. He darts over to show me a slide on his iPad on how the pieces of the Future Group's vertically integrated 'food value chain' fit together.

Does he have any lessons for newbies entering the retail business in India now? Yes, he says. "Concentrate on regions. Don't spread everywhere and reduce the number of variables. Bring simplicity in thoughts and business. These are my three big advices."

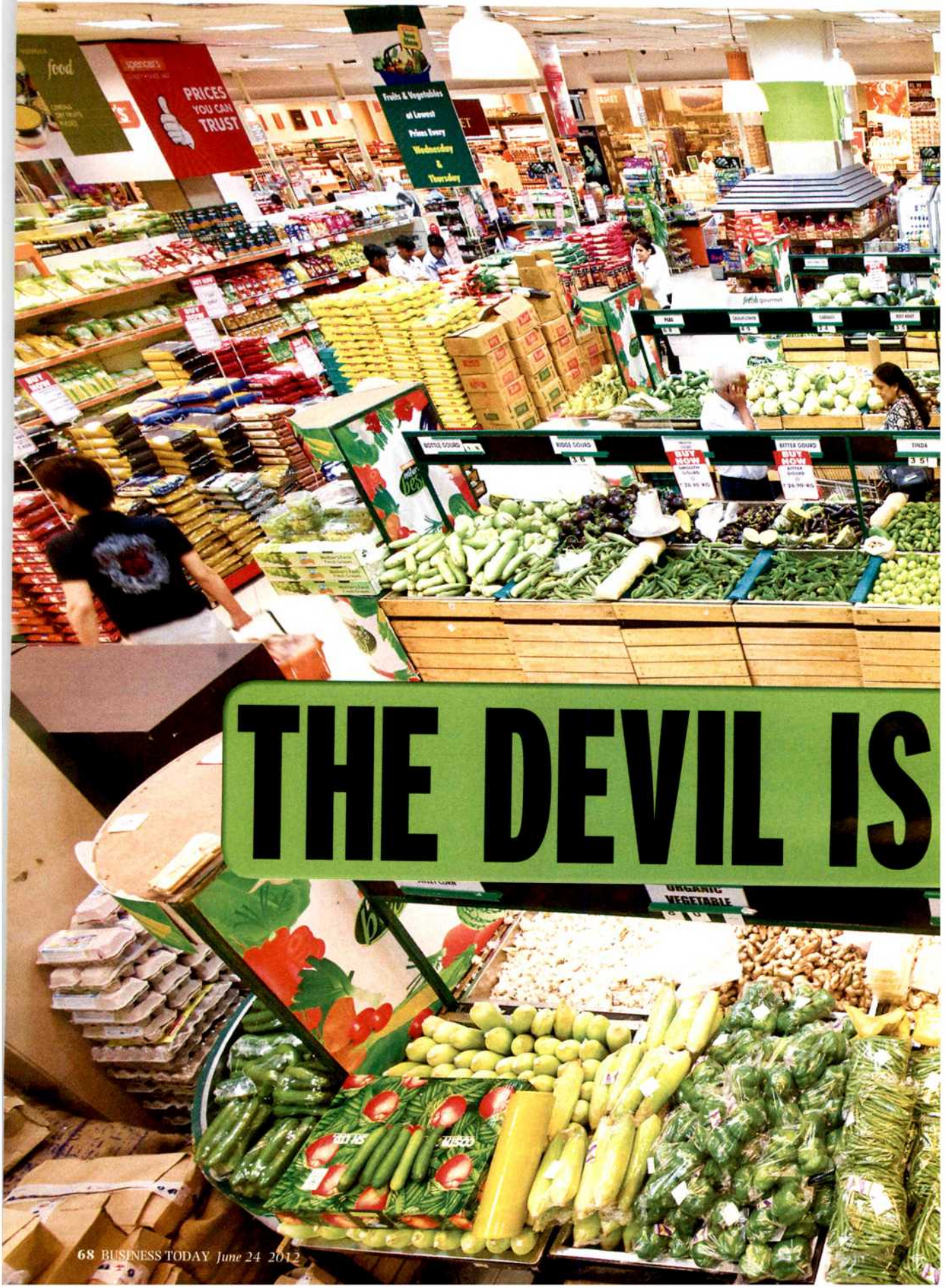
Has he followed those tips himself?

"I have made mistakes, that's why I am advising," he laughs. "You become an expert after you make mistakes." ◆

Send your comments to editor.bt@intoday.com



SHEKHAR GHOSH


food
PRICES YOU CAN TRUST
Fruits & Vegetables at Lowest Prices Every Wednesday & Thursday
BOTTLE GOURD
RIDGE GOURD
BITTER GOURD
BUY NOW
BUY NOW
TINDA
ORGANIC VEGETABLE

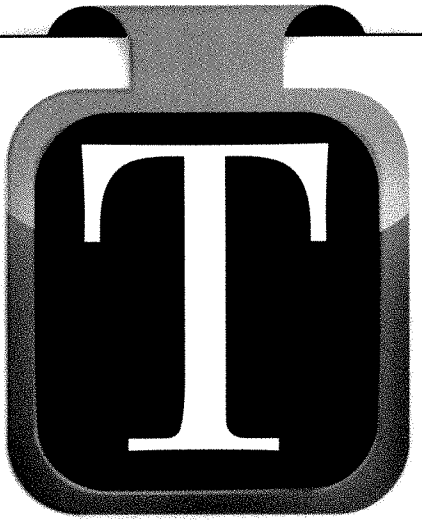
THE DEVIL IS

IN RETAIL

Only the cash-rich will survive

By SUMAN LAYAK

SHEKHAR GHOSH/www.indiatodayimages.com



The Devil is well known for his temptations. When you push your shopping cart through aisle after aisle, assailed by music that quickens your pulse and "buy me, buy me" enticements beckoning from every shelf – another pack of cookies to add to your bursting larder? another kilo of apples? another wicked jam, shirt or deodorant? – you are playing in the Big Retail Game.

The Devil is also sneaking up on the businessmen and women who build the mazes you lose yourself in, the people who stock those aisles and hope their merchandise will fly off those shelves. We may have become a consumer society, but we are the world's most pernickety customers. We want Value for our money.

Retail in India is a fiendishly complex business, as the recent sale of Pantaloons indicates. A few days after the purchase of the Future Group's flagship apparel brand and stores by Aditya Birla Nuvo Ltd (ABNL) was announced, Rakesh Jain, CEO of ABNL, started visiting Pantaloons stores in Mumbai and Pune. He described the store displays as 'crisp' but added that the space could be used better. This may be a hint of things to come after ABNL completes its takeover of the business from Pantaloon Retail India Ltd (PRIL), which also owns Big Bazaar, Food Bazaar, and a financial services and insurance business.

Young Industry

"The Indian experience in retail is only six or seven years," says Himanshu Chakrawarti, CEO of the Essar Group's MobileStore. "All of us have come in from other areas to retailing." Chakrawarti, former CEO of Landmark, the books and music arm of Tata Group retail company Trent Ltd, was also involved in the launches of Trent's Westside apparel stores and Star Bazaar supermarkets.

The earliest movers in modern Indian retail were Kishore Biyani of PRIL and Noel Tata of Trent. The industry has also been shaped by honchos such as the late Raghu Pillai, who worked with the Reliance Group and PRIL; B.S. Nagesh, former Managing Director of Shoppers Stop Ltd; and Pradipta Mohapatra, former Managing Director of Spencer's Retail. These pioneers learned on their feet in an industry in which being the first mover is not always a good thing. Noel Tata, then Managing Director of Trent, told *Business Today* in November 2009: "The last guy in has all the advantage."

In Biyani's case, while his retail business grew rapidly, he also got into financial services and real estate. Between 2007 and 2009, the retail business grew almost 2.5 times, from five million to 12 million sq ft. Biyani also set up a supply chain management joint venture with Hong Kong-based consumer goods solutions provider Li & Fung Ltd, and expanded into financial services by setting up Future Capital. Burdened by debt of some ₹8,000 crore – of which the non-banking finance business accounts for more than ₹2,000 crore – he had to sell Pantaloons. PRIL's total store area is currently 16.5 million sq ft, of which Pantaloons accounts for two million sq ft. PRIL plans to add another two million sq ft this financial year.

In the value segment, where Big Bazaar and Food Bazaar operate, PRIL reported 3.2 per cent growth in its existing stores in the quarter ending in December 2011, and 2.7 per cent growth in the following quarter. Compare this with Reliance Industries's same-store growth of over 20 per cent in 2011/12.

So, did Biyani miss a trick or

Kishore Biyani,
CEO, Future Group

RACHIT GOSWAMI/www.indiatodayimages.com

two? Did he not learn fast enough? In what is probably his first interview since the Pantaloon deal was announced, Biyani told *Business Today* editor Chaitanya Kalbag that he had made a mistake by spreading himself too thin (see *'We Lost the Plot'*, page 64). "Besides retail, we are into financial services, logistics, e-commerce, insurance," he says. "Whatever investment we have put into other businesses has not generated that much return, so all the burden is coming on retail."

The problem of knowhow

A number of challenges in the sector that formed the backdrop to Biyani's deal are also the reason Reliance Industries has been tinkering with its retail model. Several of its companies handled different formats, such as hypermarts, neighbourhood stores, and lifestyle stores. In December 2011, it merged nine companies into Reliance Fresh Ltd, a subsidiary of Reliance Retail Ltd. Companies that handled back-end operations were also merged into Reliance Fresh. Functions such as human resources and finance are handled by the parent, Reliance Industries.

In 2010, Reliance hired Gwyn Sundhagul, former head of the Thailand arm of British retailer Tesco. As CEO of Reliance Retail, he helped set up processes for retail operations. In 2011, Sundhagul moved to Reliance Industries, and Rob Cissell, former COO of Walmart China, took over the reins of Reliance Fresh's value formats. Brian Bade was brought in from Big Lots Stores, Inc to head Reliance Digital. Tesco has been in business for more than 90 years, and Walmart for 50.

Many changes followed. "The height of shelves at stores and number of bays were increased so more merchandise could go in," says Cissell. "Non-food FMCG products had to increase at Reliance Fresh

Skim Scams

Some ways in which supermarket employees steal

outlets. All the hypermarts are being renovated."

Trent has tied up with Tesco, and the Bharti Group with Walmart, for back-end processes and cash and carry (See *What Problems?*, page 78).

In many aspects of business, Indian retailers are reinventing the wheel. Foreign direct investment (FDI), allowed in single-brand retail and cash and carry, could speed up the learning curve. Amitabh Mall, Partner and retail expert at Boston Consulting Group, says that foreign solutions may not work in India, but "what the foreign majors have invested in is the science of retailing".

So a Tesco can use its experience to benefit its Indian partner. For example, Indian stores typically place detergents and soap near the entrance, because these are among the highest-selling products in the value segment. A Tesco team reckoned that customers would seek out this section no matter where it was. So it was moved to the far end of a store, while other products were placed up front. The team found soap sales did not suffer, and other items benefited.

Tesco brought in a 40-member revenue maximisation team, and also one to focus on loss prevention (see *Skim Scams*, page 71). It used mapped traffic patterns in the country's top 20 cities to identify the best location for a store.

Reliance maintains 7,000 licences for 1,300 stores

What Knowhow Can't Fix

Indian retail has some problems that perhaps cannot be addressed by retail science. Arvind Singhal, Chairman of Technopak Advisors, puts the distorted real estate market at the top of his list.

An industry veteran estimates that the ratio of rent cost to top line in an Indian mall for the apparel segment is around 10 to 12 per cent, compared with around seven per cent in developed markets such as the United States or Europe.

Gross margins – the selling price of goods minus their cost – are lower in India than in developed markets. So food and grocery retailers typically have a 14 per cent gross margin in India, compared with around 17 per cent in developed markets.

Another constraint is maximum retail price, which is the same for a product sold in a big city or a village. Then there is no goods and services tax, so companies have to build warehouses based on state boundaries rather than logistical need. Licences for various purposes are another hassle. For example, Reliance has 1,300 stores nationwide, for which it maintains 7,000 licences.

The quality of footfall in Indian malls is also a matter of concern. Biyani says that while demand for fast-moving consumer goods is good, it is inconsistent in the fashion and home segments. Hemant Kalbag, Partner at A.T. Kearney for retail and consumer goods, says: "The volume of consumption in India is not so high. Consumers are still not shopping enough at the malls."

"Retail is very capital intensive, but enabling organisations like banks do not recognise this"

B.S. Nagesh,
Founder, TRRAIN

UMESH GOSWAMI/www.indiatodayimages.com

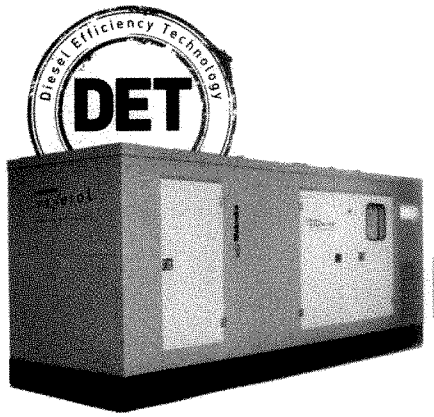
IT LASTS A LIFETIME, IT'S A MAHINDRA.

Presenting Mahindra Powerol DG sets equipped with **DET.**

When you buy a Mahindra, you expect a lot from it. And Mahindra Powerol DG sets are no different. They're low-noise, CPCB approved and are built with high grade materials. So they deliver high levels of efficiency, safety, durability and reliability. This has made Mahindra Powerol the fastest growing brand in the demanding telecom sector. Now equipped with **Diesel Efficiency Technology**, Mahindra Powerol gensets boost efficiency higher, to bring your cost of ownership even lower.

Fuel efficient, long life engines | Low vibration & noise levels | GPRS equipped (Optional)
Over 300 sales & service touch points | Frost & Sullivan Voice of customer award 2010 – Best Bang for the Buck & Most Preferred Brand in Telecom Segment | Range 2.5 kVA TO 500 kVA
Warranty for 2 years or upto 5000 hours*

INTERFACE 280428



Mahindra powerol Engines & DG sets

powered efficiently

Call toll free 1800 419 1999

ghosh.joy@mahindra.com | www.mahindrapowerol.com | FINANCE SCHEMES AVAILABLE

* whichever is earlier. Applicable for 10 kVA DG Sets and above. Conditions apply

Head office: Mahindra & Mahindra Ltd. Mahindra Powerol, Farm Equipment Sector, Gate No 2, Akurli Road, Kandivali (East), Mumbai 400 101 Maharashtra (India) Tel: 91-22 6648 3051.

The problem of cash

The Indian retail market is valued at $500 billion at present – $325 billion for the value format and $35 billion for apparel. Organised retail is valued at around $30 billion, and has plenty of potential to grow. Overall retail is expected to be worth $675 billion in 2016, and organised retail at $84 billion, according to Technopak's estimates.

"The retail opportunity will be beckoning Indian industry for the next 100 years; it is so huge," says Shoppers Stop's B.S. Nagesh, who has set up TRRAIN (Trust for Retailers and Retail Associates of India), an initiative to improve the lives of sales staff. He adds: "This sector is very capital-intensive. The problem is that enabling organisations like banks do not recognise this.... Therefore, price earning is stretched and entrepreneurs are stretched." He points out that India is trying to do in 10 years what western countries did in 40.

Organised retail will be an $84 bn market by 2016

A new store takes time to stabilise and break even, so companies must balance the number of stable, profit-making stores and new ones. When a company tries to grow fast, especially in the low-margin value format, it ends up with more loss-making stores, which would strain its cash flow. Cash burn is what did Subhiksha in. The no-frills retail chain, started by IIT and IIM grad R. Subramanian, set up 1,600 outlets in 12 years, and closed in 2008.

A stockpile of cash is a big advantage – one that Reliance Retail has, as its parent has $14 billion in cash on its balance sheet. ABNL and Trent, too, have cash-rich parents.

Many say the government's refusal to permit FDI has limited the sector. "It could have given us some exits much earlier," says Biyani. "I have multiple formats, multiple businesses. Any business to hive off could have made me debt-free earlier."

He argues that FDI would help the wider Indian retail industry. "Any industry needs money and cannot grow only on domestic capital," he says. Domestic capital is expensive, he adds. "In business, it is like in the *Mahabharata*... you know how to enter... but there needs to be an exit option also."

With the cash crunch in focus, Spencer's Retail, part of the RP-Sanjiv Goenka Group, which plans to add 200,000 sq ft a year, will proceed with caution, says Goenka.

Trent raised about ₹250 crore by selling a stake of almost 10 per cent through qualified institutional

"Store shelves and bays had to be altered so that more merchandise could go in. All our hypermarts are being renovated"

Rob Cissell,
CEO, Reliance Retail

SHEKHAR GHOSH/www.indiatodayimages.com

For a privileged few, we help unlock the most exclusive business opportunities.

Unit, Area & Master Franchise with National & International Brands

At Franchise India, we offer customized investment and business brokerage services to you if you have a greater appetite for investments, and are willing to play a bigger game. As partners, we help you understand the business right from the core and minimize the risks to extract maximum returns on all your investments.

Our Approach
- ☑ Feasibility
- ☑ Developing Market Intelligence
- ☑ Business Plan and Investment Scorecard
- ☑ Franchise Audit
- ☑ Risk Reward Analysis
- ☑ Legal and Compliance Requirements

Our Responsibility
- ☑ Utmost security and privacy
- ☑ Non disclosure of confidential information

Business Prospects
- ☑ Buying a Business
- ☑ Franchise Ownership
- ☑ Property Ownership/Property on lease

Deal Closure
- ☑ Negotiation
- ☑ Compliance and Legal Formalities

For more details contact :

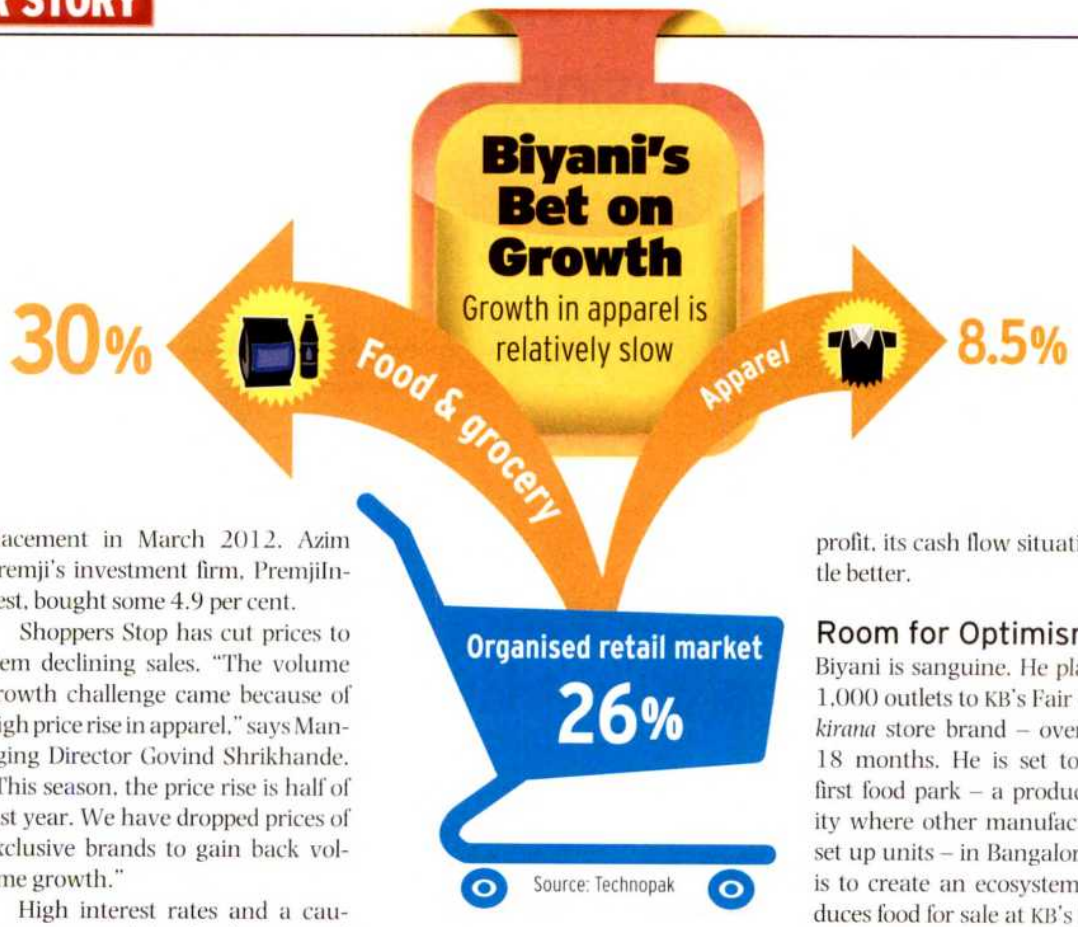
North: Jatin | 08860889559 | jatin.bhargava@franchiseindia.in
East: Ashok | 09331411327 | ashok.nair@franchiseindia.in
South: Mayank | 09341240138 | mayank.vashisth@franchiseindia.in
West: Poonam | 09022940170 | poonam.chaudhary@franchiseindia.in

www.franchiseindia.in
1800 102 2007

Franchise India Brands Limited
F-89/11, Okhla Phase-1, New Delhi - 110020
Ph.: 011-40665555, Fax: 011-40665563

FRANCHISE INDIA
Your growth is our business

Business Brokerage | Consulting | Capital Services | Property Services



placement in March 2012. Azim Premji's investment firm, PremjiInvest, bought some 4.9 per cent.

Shoppers Stop has cut prices to stem declining sales. "The volume growth challenge came because of high price rise in apparel," says Managing Director Govind Shrikhande. "This season, the price rise is half of last year. We have dropped prices of exclusive brands to gain back volume growth."

High interest rates and a cautious approach by banks to retail are like salt in a wound. "From a financier's perspective, long gestation periods, profitability dependent on achievement of economies of scale requiring large capital commitment, low long-term asset creation and evolving formats are major concerns," says an Axis Bank spokesperson. Axis Bank is one of the lenders to PRIL.

Kishore Biyani's response to his cash problem was to sell Pantaloons. He has said earlier that he was considering 18 deals. The Pantaloons deal will cut the group's debt of nearly ₹8,000 crore by ₹1,600 crore. Biyani is satisfied. "That's 14 to 16 per cent of our business, and we are still managing it," he says of Pantaloons. "As a promoter we'll have a 25 per cent stake." The sale of Future Capital would cut debt by another ₹2,000 crore.

"The sale of Pantaloons will reduce margins as it was a high margin business," says Bharat Chhoda, analyst with ICICI Securities. "The transaction will be revenue-neutral, as the savings on interest and drop in sales will compensate each other."

Biyani disagrees with this analysis, made by several others besides Chhoda. He says: "The shareholder is getting a vertical demerger... Like I am getting a stake, all the shareholders get a stake." He adds that the demerged entity will be listed independently. "This will be valued far more than the consolidated value of the business I head," he says.

He stresses that after the sale of Pantaloons and Future Capital, PRIL will become debt-free. "The only debt that will remain will be in value retail business," he says. At present, PRIL's debt situation is scary, with an interest coverage ratio (interest payments to operating income before interest and other income) of over 90 per cent. This means almost all of its operating profit goes towards interest payments. The ratio of interest payment to EBITDA is in the low 60s, which means that while the company is making little profit, its cash flow situation is a little better.

Room for Optimism

Biyani is sanguine. He plans to add 1,000 outlets to KB's Fair Price – his *kirana* store brand – over the next 18 months. He is set to open his first food park – a production facility where other manufacturers will set up units – in Bangalore. His aim is to create an ecosystem that produces food for sale at KB's Fair Price. He had a slow start on supply chain management, but today he provides warehousing and logistics services to others. Biyani is still in expansion mode. Hence the need for money.

He has roped in Lawson, Japan's second-largest retailer, which is likely to be his partner if FDI is allowed in retail. Mitsubishi Corporation, too, has shown interest.

"Biyani is good at setting up businesses, but running a business successfully is another matter," says an industry insider.

"He is a man with an instinctive feel for the Indian consumer," says the CEO of a retail company who does not want to be identified. He says he spent time in a Biyani-owned store, observing design flaws. "I took my lessons, and when we opened at a nearby location, we had much better facilities," he adds.

The Indian retail industry still has some way to go on the learning curve. A fat pile of cash will make the ride shorter and smoother. ◆

ADDITIONAL REPORTING BY GEETANJALI SHUKLA

aloft℠
A VISION OF W HOTELS

Experience aloft hotels in India

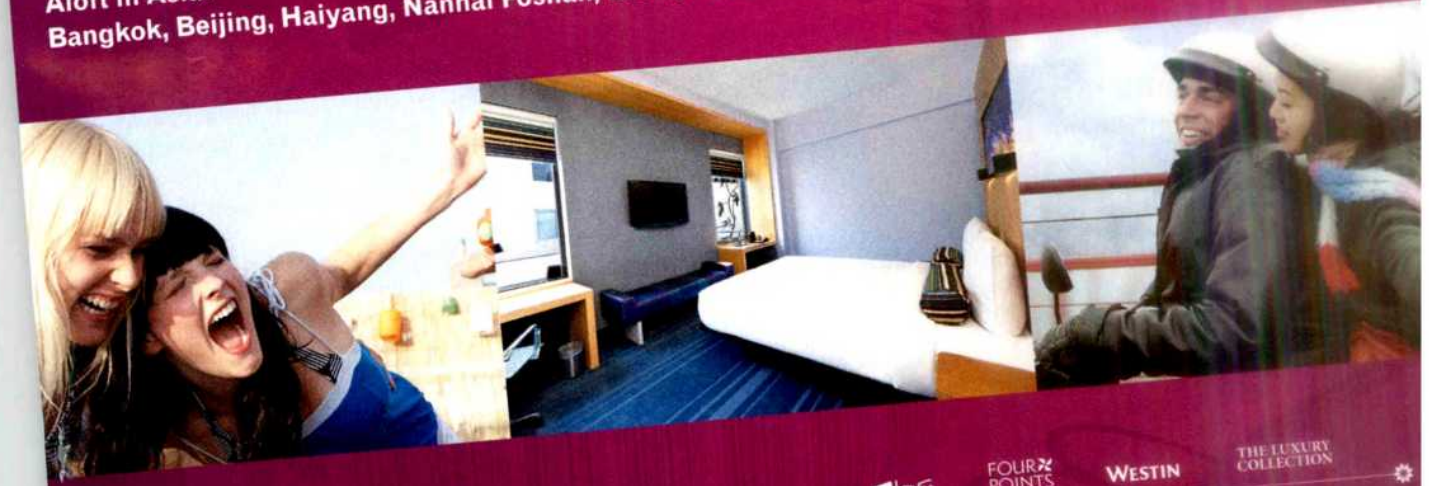
Fast + free WiFi and more.

NOW OPEN:
Chennai OMR – IT Expressway
Bengaluru Whitefield
Coimbatore Singanallur

Opening soon in 2012:
Chandigarh Zirakpur
Ahmedabad, SG Road

alofthotels.com
Toll free: 1800 258 2555

Aloft in Asia:
Bangkok, Beijing, Haiyang, Nanhai Foshan, Zhengzhou Zhengdong New District, Zhengzhou Shangjie



MERIDIEN aloft FOUR POINTS WESTIN THE LUXURY COLLECTION
spg Starwood W HOTELS Sheraton ST REGIS element

WHAT PROBLEMS?

While retail chains fret, cash and carry businesses are gung-ho.

By MANU KAUSHIK

A Bigger Sl

The share of cash-and-
the wholesale trade is

4.5%: 201

0.04%: 20(

Source: Technopak Advisor

Three years after its first Indian cash and carry store opened in Amritsar through a joint venture with the Bharti Group, US retail giant Walmart is bullish on Indian retail. Ten of the 17 BestPrice Modern Wholesale stores of Bharti Walmart Pvt Ltd opened in 2011, and the company plans to add 10 more by the end of 2012.

Bharti Walmart COO Arvind Mediratta says the company is largely unaffected by the problems in the retail sector, such as rising rents and high cost of operation. "Most of our stores are seven or eight km from cities, where rents are comparatively low," he says.

Cash and carry brings small retailers into the fold of organised retail by offering convenience, transparent pricing and product availability.

One reason why this business is doing well when other modern retail formats are not, Mediratta says, is that players such as the Future Group and Reliance Retail have less discipline. "The key differentiator is inventory management and training people," he says.

Despite strong sales growth, Bharti Walmart had accumulated losses of ₹765 crore as of December 31, 2011, largely on account of investing in logistics, supply chain and opening new stores. Industry sources say that opening a store requires an investment of ₹60 crore.

Logistics expertise has helped Bharti Walmart cater to small-town retailers. "When we set up our Amritsar store, we met shopkeepers who travelled to Delhi t cutlery, condiments and spe foods such as turkey," says ratta. "We saw the demanc stocked these things."

A spokesperson at Metro and Carry India notes: "Cust preferences are changing. supply chains offer limited ucts, and that is where this f scores well."

Unlike Bharti Walmart, Cash and Carry, whose p company is based in Germany focused on big cities such as galore, Delhi and Mumbai. allows 100 per cent foreign ership in wholesale operation single-brand retail. French re Carrefour and Britain's B have also entered the Indian and carry market in the last years. ◆

WALL STREET JOURNAL.
mint
Refreshing Clarity in Business
Micros
CLOUD COMPUTING
IS COMING OF AGE

We will in

The early aughts saw Microsoft Corp. lose its shine. It looked unlikely to spring back into popular consciousness as a cool company in the post-Google era. Or, even as a company that would shape consumer or enterprise technology. Apple, Google and Facebook were more likely to top such lists.

That has changed in recent quarters with the Seattle, US-based company getting back its lost mojo, boosted by a series of products and new releases – the Bing search engine, the Metro user interface common to its products, the X-Box gaming console, the Kinect motion control sensor, the cloud-hosted Office 365, and the new Windows 8 operating system. Much of the credit for this transition rests with **Steve Ballmer**, Microsoft's CEO, and the man who has steered the company out of the shadow of founder Bill Gates.

Ballmer, who has shed some pounds from his quarterback-like frame in recent months, met **Sunny Sen** and **Josey Puliyenthuruthel** on a recent hot Thursday afternoon in Gurgaon. Dressed in a dark suit and white shirt without a necktie, he seemed to have put his "monkey boy" years behind him. In the interview, he recounted Microsoft's transformation, why the $70-billion giant is looking stronger than ever, and how he intends beating Google. Edited excerpts:

Put Microsoft in perspective for us... the journey in the last 10 to 15 years.

The journey of the last 10 years in some sense had three big elements. Number one, we still have a lot of runway in what we say were the initial missions – a computer on every desk and in every home, computers in every data centre and a computer in all living rooms. And in all three of them we are the leaders and yet the battle is unfulfilled.

The second [thing] is to do more things, and there are some guys who did some good work and got upfront. Phone and search are the two that get highlighted the most – Apple and Google. We are a company that is prepared to be bold, prepared to drive in new areas. Even if we didn't invent a category, we're not going to shy away from building capability and seeing if we can innovate if the area looks like it's got a lot of promise.

We're not going to shy away from building capability

We also resolved all of our legal matters over the course of the last 10 years. That might be the third theme. We made a transition really from being led by our founder Bill Gates.

With hindsight, was it just a matter of time before you would have caught up with everything new happening around you?

I think that popular opinion presented by the media perhaps, is always sort of wrong. It is always extra-stated; it can be understated or way overstated. But rarely is it as good as it is painted or as bad as it is made out to be. [Grins]

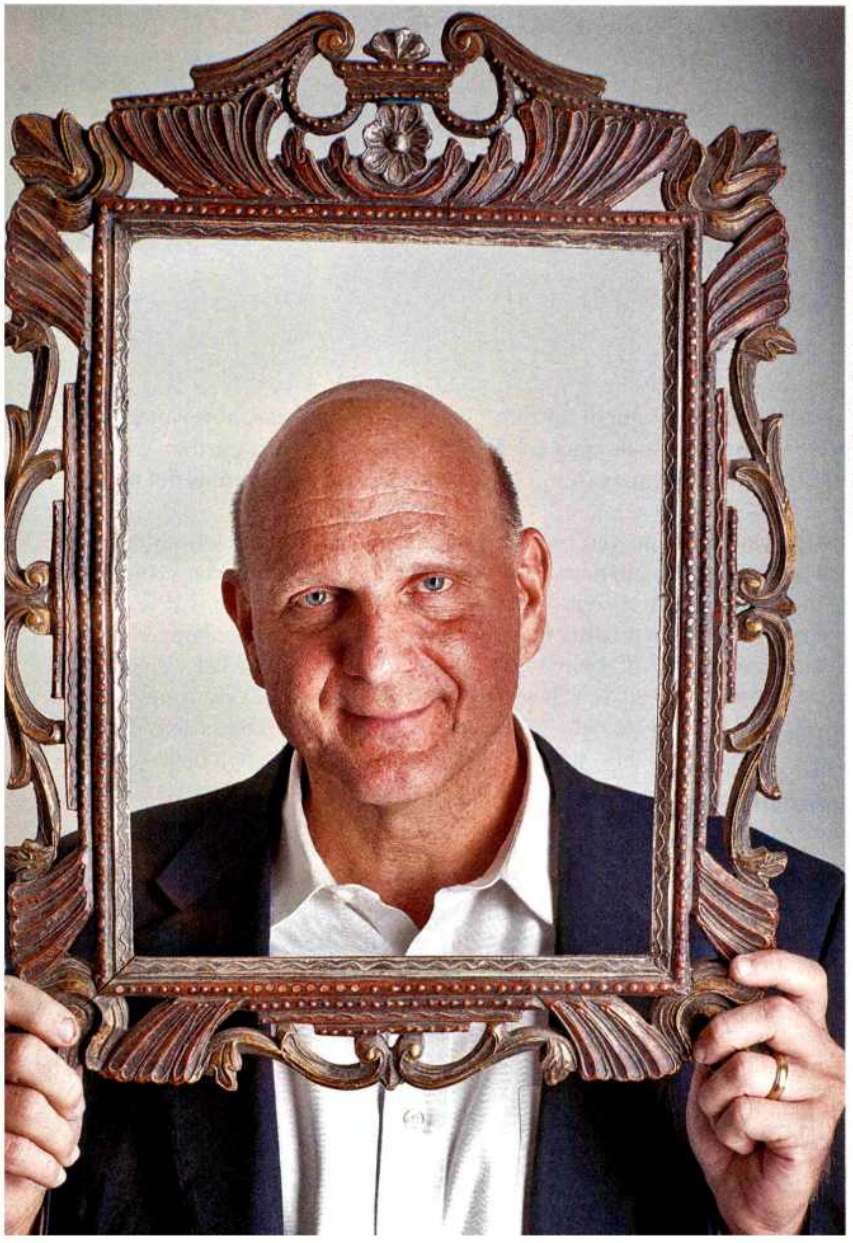
We have been doing good innovation. It's not that we did not have a great Windows Phone product a year ago, but people take notice now that they see the commonality of the user interface across phone, PC, etc. People give attention to everything when your flagship product is being renewed. This is a critical year. We are renewing Windows and Windows is our flagship product. We are reimagining with new form factors and new chipsets, with a new programming model and the integrated view of the cloud. We are re-imagining Skype, Bing, Office and everything else we do around Windows 8.

Could Microsoft have done all this earlier – say, a year ago?

[Speaking in a falsetto] Four years back! Everything we do I wish we did earlier. I am glad we did what we did. Sometimes you make trade-offs. You say there are things which we can do really fast but that may not be the right thing. In our industry, there is a

the full interview, go to
www.businesstoday.in/ballmer-speak

beat Google all markets



ADITYA KAPOOR/www.indiatodayimages.com

We are re-imagining Skype, Bing, Office and everything else around Windows 8

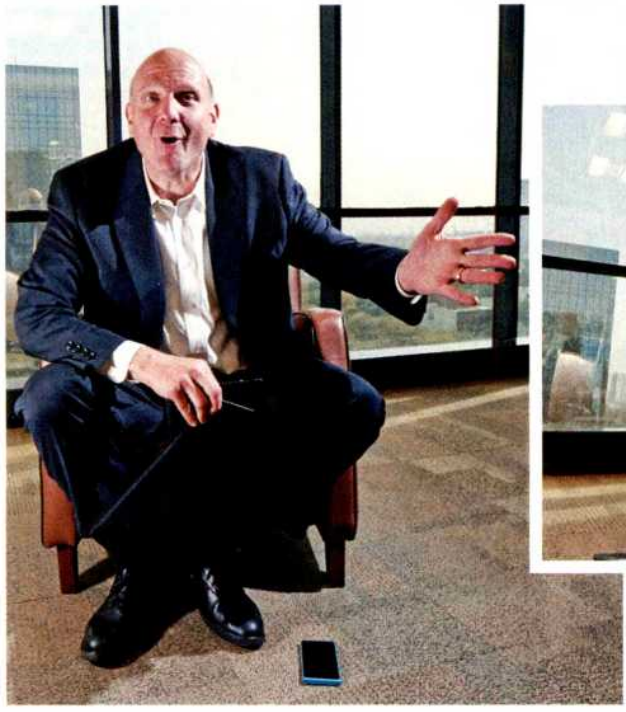
really fine line between being fast and being insufficient, and being a little slower but sufficient. Being fast is not always the right answer, being right is always the right answer. So we always have a set of trade-offs that we make. I always say that there are things that with 20/20 hindsight we could have done better, and at the same time the best thing is to be self-critical and do things better than what you have done in the past.

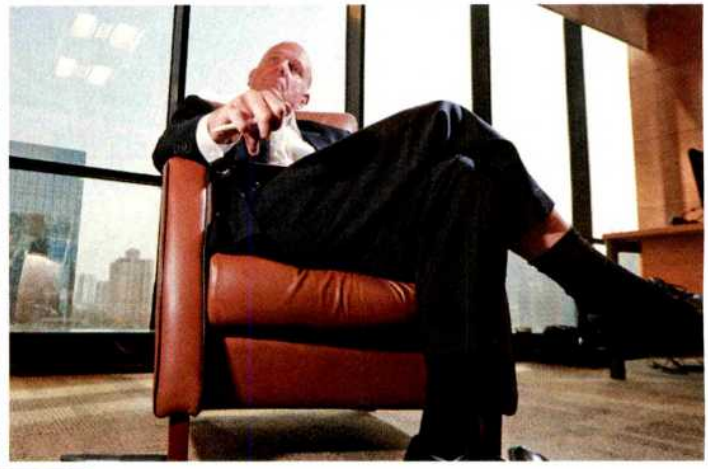
Do you feel that Microsoft somewhere lost sight of its consumers?

I certainly know things that I would do differently. We started in a consumer business. The problem is that no enterprise thought we were credible enough until 2005. We were a consumer company and it was hard to win enterprise credibility. And I don't think we took our eye off the ball from the consumer side.

Being fast is not always right, being right is always the right answer

There are some things I would do different. I'll just be honest. I wouldn't do Windows Vista again. I wouldn't do it for our enterprise customers or for





PHOTOGRAPHS BY SHEKHAR GHOSH/www.indiatodayimages.com

our consumer customers.

I think there are some things worth mentioning on this. Number one, every area you're in, you have to be excellent in an engineering perspective, and you've got to make sure that you ship regularly. The consumer market probably emphasises regularity of new things more, but the truth is you need them (with enterprise as well).

Number two, a lot of what the consumer thinks about is the hardware. And I don't know that we need to make hardware per se, but thinking about the innovation boundary between hardware and software, and not allowing that to be a boundary that holds us back – you know, in a sense what you could say is if you don't do both, you might not think about the full power of innovation across the hardware-software seam. Some might say that was the thing that Apple capitalised on and is innovating in both.

How do you see what you have in your portfolio playing in near term?

(With Bing) we have come from nowhere to having a product today which I can tell you in a blind-test beats Google in the US. We will beat Google in all markets. It is about how deep do you index. It's not really a language question, it's a question about how deep do you index, what percentage of the Internet do we actually see in a country. We've gone from nowhere basically six, seven years ago to having a product that in a blind test would beat Google today.

I wouldn't do Windows Vista again for our customers

On the mobile side, how concerned are you that your partner who is pushing your platform is not in the best of shapes?

We have a number of partners... Nokia, HTC, Samsung, Huawei, ZTE... The most visible is Nokia, no question. Nokia is a company that has made a serious bet, driving it hard. They are having some good results with the Lumia line. Now, they also have some challenges in their Nokia Siemens network business, they have some challenges in their S40, the Symbian product lines... but we are off to a good start with them. We love Nokia and love what they are doing, but our commitment to our shareholders is to have success with the Windows Phone, and Nokia is a part of that, but Nokia is not all of that. ◆

Actual site photograph

The project is a perfect mix of ultra modern facilities and natural surroundings like never before. In perfect harmony with nature, the project offers convenient living, providing grea value for money to al its residents.

PARAMOUNT SYMPHONY

Naturally Scenic, Luxuriously Tempting

Humans were born in the arms of god's greatest gift to mankind, nature. Since then they enjoyed, learnt and flourished under it, even today Newton's apple is the sweetest one. They found it more and more enticing s they went deep in to it, but nature always surprised them ith something new, something extra-ordinary, something agnificent! In complete awe of this wonderful gift, umans made a rapid progress. he way of living has also dvanced with every stage. Every ra has its own architect marvel, ith one common thing, room for ature. And today we stand on e edge, starving for those ndless green planes, with desire r that perfect clean air, urrounded by the piled up oncretes and almost nothing round us in the name of nature.

Actual site photograph

he surroundings keep on hanging in the name of evelopment and we continue to ddle with nature. But how can e incorporate this gift that it compliments with the ontemporary architecture and living. Paramount Group eems to have an answer for that. In the times when lush reen surroundings are hard to come by, it has become a riority in the property buyer's decision. This quest for lean air and picturesque beauty today has become ustomers' priority and plays an important role in making e decision of buying a home.

aramount Group's, Paramount Symphony is all set to maze the buyers with its enticing architecture and lush reen landscape. With green surroundings; quality onstruction and finest amenities have made it one of the hottest properties in Crossings Republik. Paramour Symphony has been credited with best project in the vicinit with unmatched quality offerings. Strategically located a NH-24, the project offers ready-to-move-in house for th buyers, helping them instant access to their dream hous and enjoy a luxurious lifestyle living amidst the lush gree belts.

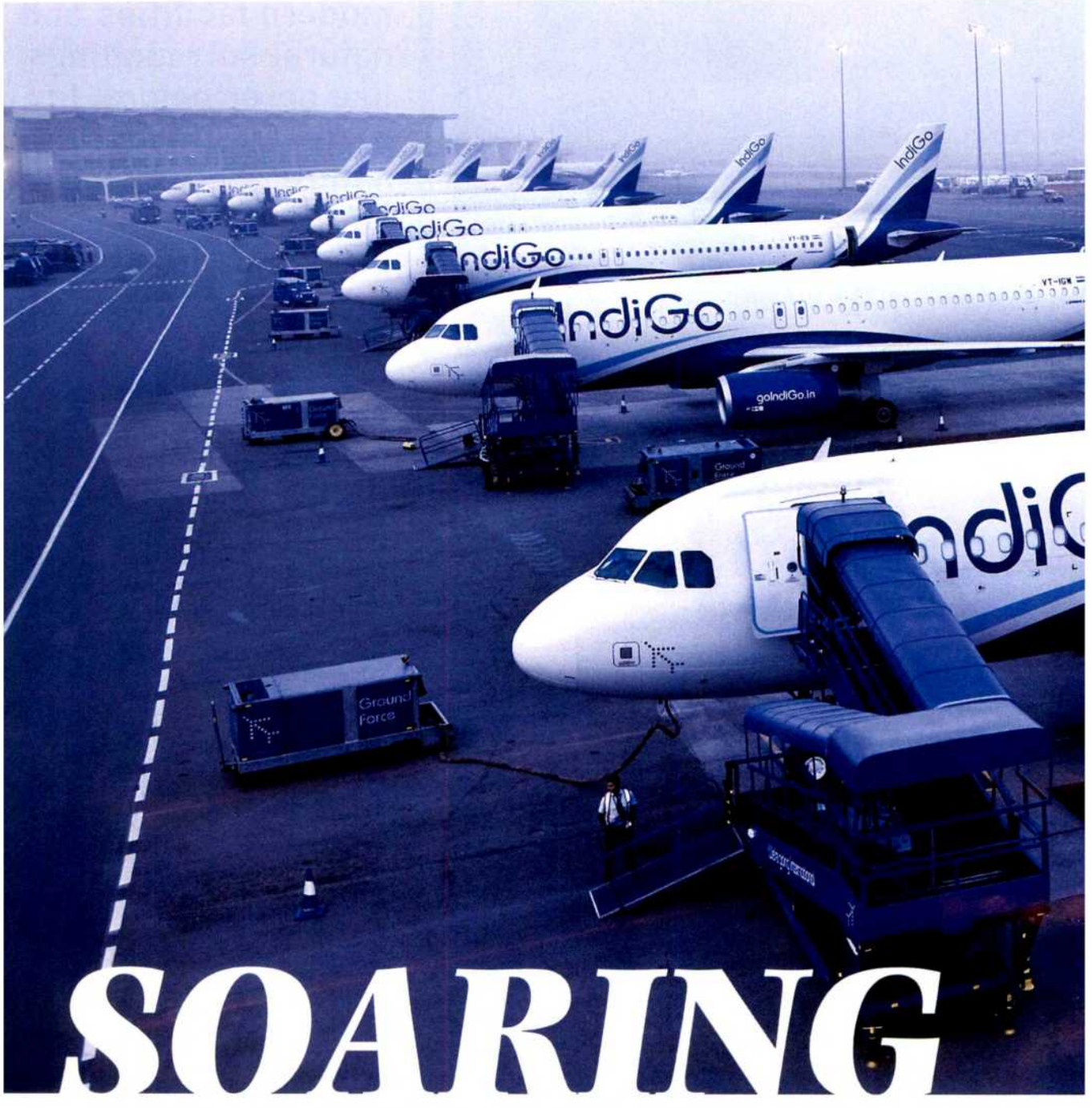
The vision of 360 acr township in Crossing Republi has already started takin shape. But, in the middle c strikingly similar projects wha makes Paramount Grou stand out is the fact that it project is in complete harmon with nature and this mix c modern living with nature ha amazed the every visito making it talk of the town fc all right reasons.

The project is a perfect mix c ultra modern facilities an natural surroundings like neve before. In perfect harmony with nature, the project offer convenient living, providing great value for money to all it residents. Spread over an area of 8.5 acres, Symphor comprises of 2, 2+1, 3 and 3+1 BHK apartments rangin from 1050sq. ft. to 1895sq. ft. and the price ranging fror 35lacs to 65 lacs.

Loaded with all facilities that you can think of in a luxuriou living, Paramount Symphony takes you back into the time when sitting under a huge tree in hot Indian summer wa truly bliss. And with par with the customers' expectation: the project is likely to entice potential buyers from all th surrounding regions.

PARAMOUNT
GROUP OF COMPANIES
Guided by tomorrow

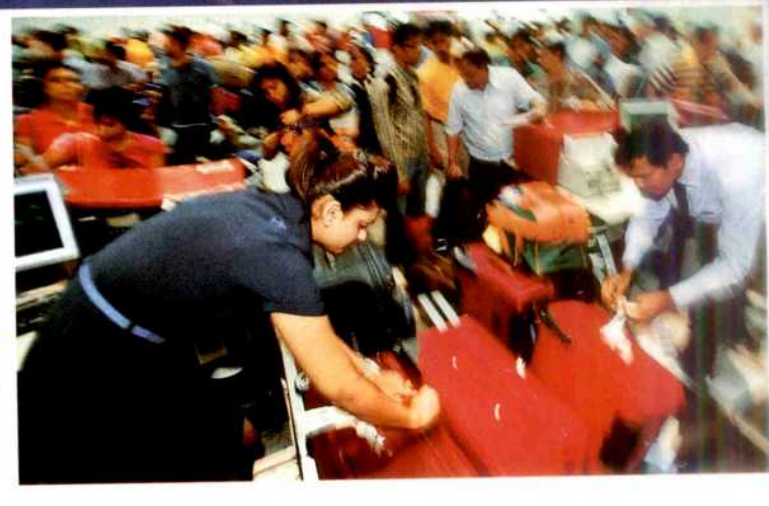
Corporate Office:
H-123, Sector-63, Noida 201301 (U.P.)
Phone No : 0120 - 4613000, 4276381, 4276386
www.paramountgroup.co.in



SOARING ABOVE THE REST

When every other airline is struggling, how does IndiGo thrive? Photo editor VIVAN MEHRA takes a close look at the operations of India's only profitable airline

IndiGo's Airbus-made A320 jets at the Delhi airport. The airline's 56-strong fleet is a big source of cash for it. IndiGo sells planes, bought at a fire sale price seven years ago, and leases them back. The difference in cost between then and now means it profits on each such 'sale-and-leaseback' deal



A check-in staffer doubles as a baggage handler at the airport in Delhi, the airline's base. With 2,800 passengers and 16 flights before 8 am, IndiGo's 'on time, hassle free' motto is tested every morning

7 REASONS TO SUBSCRIBE

TO INDIA'S NUMBER 1 NEWS & CURRENT AFFAIRS MAGAZINE

1. It is India's most-widely read publication.
2. It covers all issues of national and international importance.
3. It offers insightful analysis.
4. Its editorial integrity is uncompromised.
5. It reflects and shapes public opinion.
6. It's a complete package for today's readers, with four free magazines
7. Its special issues have become an industry standard, whether it is the Best Colleges Special issue or the Mood of the Nation poll.

+ BONUS | FREE GIFTS WITH EACH SUBSCRIPTION TERM

BEST OFFER

iON i5 Mobile
worth ₹. 3800 with
5 YEARS SUBSCRIPTION

REEBOK LAPTOP BAG
worth ₹. 2999 with
3 YEARS SUBSCRIPTION

REEBOK TRAVEL BAG
worth ₹. 999 with
1 YEAR SUBSCRIPTION

* India Today Woman, India Today Aspire, India Today Spice, India Today Home

YES! I WISH TO SUBSCRIBE TO INDIA TODAY.

INDIA TODAY

Please tick your subscription choice and send the form to:
We Care, India Today, A-61, Sector 57, Noida - 201301, (U.P.), India

TICK	TERM	NO. OF ISSUES	COVER PRICE (₹.)	YOU PAY (₹.)	SAVINGS	FREE GIFT
☐	5 years	260	7800	5100	35%	iON i5 Mobile worth ₹.3800/-
☐	3 years	156	4680	3700	21%	Reebok Laptop Bag worth ₹.2999/-
☐	1 year	52	1560	1400	10%	Reebok Travel Bag worth ₹.999/-

BEST OFFER

Please fill the form in CAPITAL LETTERS

I am enclosing Cheque/DD No.:_____ dated:_____ drawn on (specify bank):_____

favouring Living Media India Limited for ₹._____ (Add ₹. 50/- for non Delhi cheques, Not valid in case of At Par Cheques)

Or, Please charge my Credit Card ☐ ☐ ☐ Card No. ☐☐☐☐ ☐☐☐☐ ☐☐☐☐ ☐☐☐☐

Card Member's Name ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ Card Expiry Date: M_____ Y_____

Card Member's Signature:_____ Date of Birth: D_____ M_____ Y_____

Name:_____ Address:_____

_____ City:_____ State:_____ Pin:_____

Ph (Res.):_____ Mobile:_____ Email:_____

*Terms & conditions apply.

YOU MAY ALSO SUBSCRIBE THROUGH

SMS
ITE to 52424

CALL us on Toll Free No. 18001800100
and (0120) 2479900

E-MAIL
wecare@intoday.com

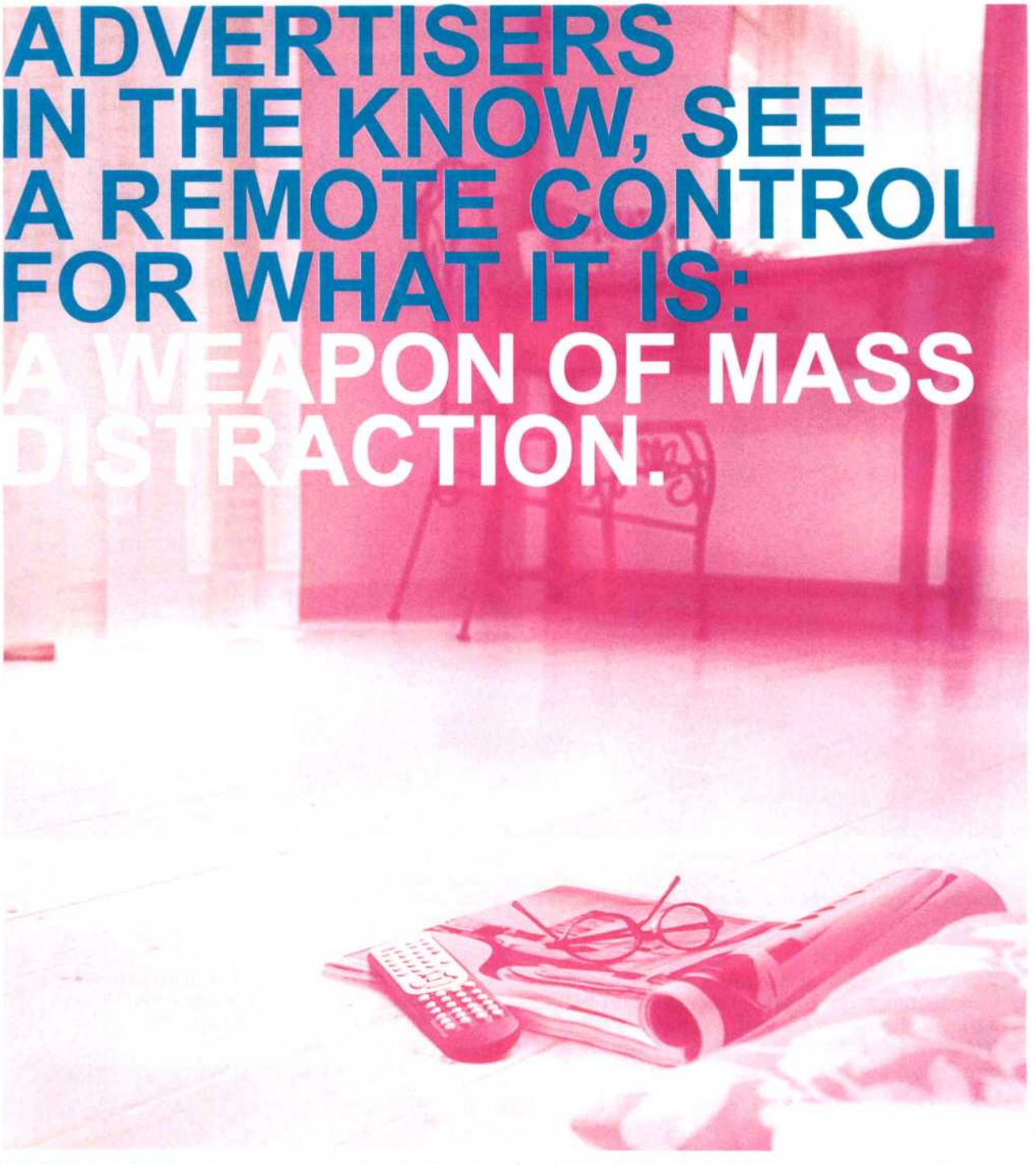
LOG ON TO
www.indiatoday.in/subscribe

Stewardesses touch up before a flight. The navy-blue uniform of IndiGo's all-female 1,230 cabin crew has been designed by Rajesh Pratap Singh. Stylist Ambika Pillai's make-up templates emphasise friendly efficiency. Only two shades of lipstick and nail colour are permitted: fuchsia pink or terracota. The bob-cut wigs are optional

A passenger lets it fly at Manish Jain, an IndiGo security manager, threatening to get him sacked. Frayed nerves are inevitable, given the crowds. Jain says this sort of fracas is a daily occurrence

Four handlers stack bags in the hold to save space and time. IndiGo's target: the first bag off a flight hits the carousel by the time the first passenger reaches it

ADVERTISERS IN THE KNOW, SEE A REMOTE CONTROL FOR WHAT IT IS: A WEAPON OF MASS DISTRACTION.



Day in and day out, we are swamped by a wave of media, channels, and a mind-numbing 3000 advertising messages. It's no surprise then, that people are learning to block out ads with a wall of indifference. However, new research* indicates that ads in magazines often fare far better than ads in most media. And are seen more as content, and less as interruptions. Visit www.aim.org.in to read more about the research findings.

83% readers don't see ads in magazines as interruptions. (TV ads are thrice as likely to be seen as interruptions)

12% ad avoidance for magazines (the lowest among all media, with TV at 31%)

65% readers give undivided attention to magazines (twice as much as for TV)

*Qualitative research by Quantum, followed by a large scale quantitative study by IMRB, with 3600 people, across 10 cities.

MAGAZINES ENGAGE CONNECT WORK

Association of Indian Magazines

mudra 7116

A last-minute huddle has cabin crew being briefed by pilots before a Delhi-Lucknow flight. IndiGo has 96 employees per aircraft. That's lean-and-mean, compared to Air India's 250 a plane

Smartly packaged food, beverage and merchandise sales make for a healthy addition to IndiGo's net profit of ₹650 crore in 2011/12. A stewardess adds up the money earned on a packed flight

On this mandatory walk-around before a flight, pilot Amar Bhatia spotted blades of grass on the engine rim. "We obsess over details," says IndiGo President Aditya Ghosh. IndiGo, which inducts a plane every month, runs a fleet with an average age of two years and one month (Singapore Airlines's average is over six years)

INDIA TODAY SUCCESSORIES

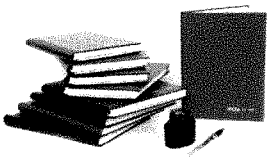
LET YOUR BRIGHT IDEAS SHINE

NEW RANGE OF NOTEBOOKS

- Superior quality, smooth paper
- Strong, durable covers in rich material
- Multiple formats of inside pages- ruled, blank, checks
- Wide paper pockets
- Information pages on finance and economy
- Address Book, calendar and planner
- Available in vibrant colours
- Sizes-15x21 cm, 18x24 cm

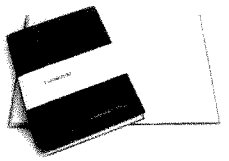
IDEAS IN INK

- Concealed Wiro Binding
- Elastic Band



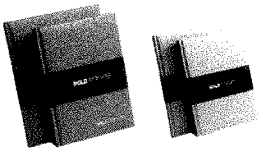
A SIGNATURE OF SUCCESS

- Dual Binding
- Gilt edged pages



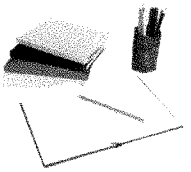
BOLD STROKES

- Ambi cover material
- Gilt edged pages



BRIGHT IDEAS

- Satin cover material
- Gilt edged pages



AUTHORISED DEALERS AND DISTRIBUTORS

NORTH ZONE (Regional Office Ph.: 9899712986/9873437363, E-mail: sharad.khanna@intoday.com/ manish.srivastava@intoday.com):
New Delhi Quill Stationery & Office Supplies (P) Ltd. Ph.: 23417054/ 41513132/ 9810499446/23418140, Fax- 45652393
Agra Cantt The Modern Book Depot Ph.: 2225695/ 9760062181
Chandigarh EBS Stationers Ph.:2721184/9814110136; Capital Book Depot Ph.: 2702260/ 2702594 /9815083780
Dehradun Book World Ph.:0135 -2655845
Jaipur Rajesh Manish Agencies Ph.: 9461070071 / 9829139626 /0141-2326019; Delhi Stationers & Printers Ph.: 0141- 2373515 / 4013515
Jodhpur Sarvodya Book Stall Ph.:9829781548 / 9314985001/9414877100/2653734/2653735
Lucknow Kalakunj International Ph.: 2612783/9452274811; Universal Book Sellers, Hazratganj Ph.:3919708/9839020290
Ludhiana Sardar Stores Ph.:9872290515/9888102837
Patiala Reader's Paradise Ph.: 2215170/ 9815521218

EAST ZONE (Regional Office Ph.: 09831961454; E-mail: joydeep.roy@intoday.com)
Kolkata The Modern Book Depot Ph.:03322493102/22490933; Emami Frankross Pvt.Ltd.Ph.033 40063305; Paradise 9 Stationery Ph: 9748434745, 9681755884
Patna Brite Stationers Ph.: 06122206664, 09334488665; Mithila Stationers Ph:0612 2541402

WEST ZONE (Regional Office Ph.: 09619075353; E-mail: rajesh.menon@intoday.com):
Mumbai Poonam Stationers Ph.: 22665099; Jain Stationery Stores Ph.:22661466/66366179
Pune Onkar Enterprise Ph.: 24451173/ 24484428

SOUTH ZONE (Regional Office Ph.: 09840662174; E-mail: deepak.bhatt@intoday.com;
Chennai: V. Premkumar: 9941023366;
Hyderabad: V. Srinivasa Rao: 9908860150 ;
Bangalore: T. S. Sandeep: 9845165074;
Kochi: B.V. Krishna Kumar: 9847311173)
Chennai Sitaraman Allied Services Ph.: 28110807/9444011909; Kamala Book House Ph.: 9841600019;
Madurai College House Shoppers' Shop Ph.:2347354/9843174735

Also Available DIARIES • PLANNERS • GIFT SETS • REFILLS • CUSTOMISATION OPTIONS

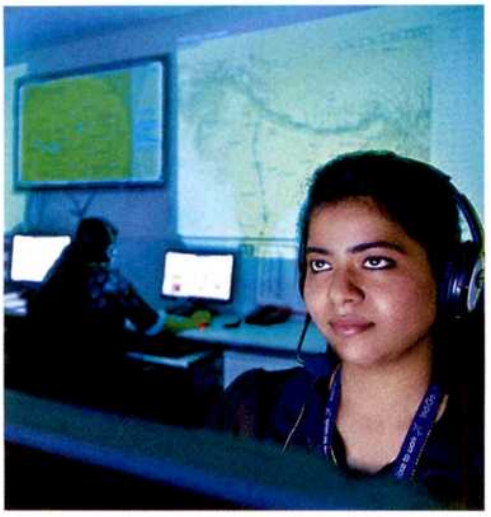
For any other queries:
Call - 0120-4078057, 9953307355 | **Email** – notes@intoday.com | **Visit** - www.indiatodaydiaries.com

THE INDIA TODAY GROUP

Each IndiGo crew member is put through 60 days of training before getting on her first flight. Here, stewardesses, both training and serving, rehearse a rescue operation in case of a water landing. The 'flower pattern' is the most optional formation for conserving energy while staying afloat

A trainer at the 'i Fly' centre helps coif a recruit as trainees watch. Stewardesses have to behave in identical fashion while on duty: the smiles, the postures, the greetings should all be the same

Pilots and cabin crew live up to the '6E' (read again: sexy) airline code at lunch on a day off. Pilots and stewardessses fly 30 hours a week, abiding by domestic aviation rules

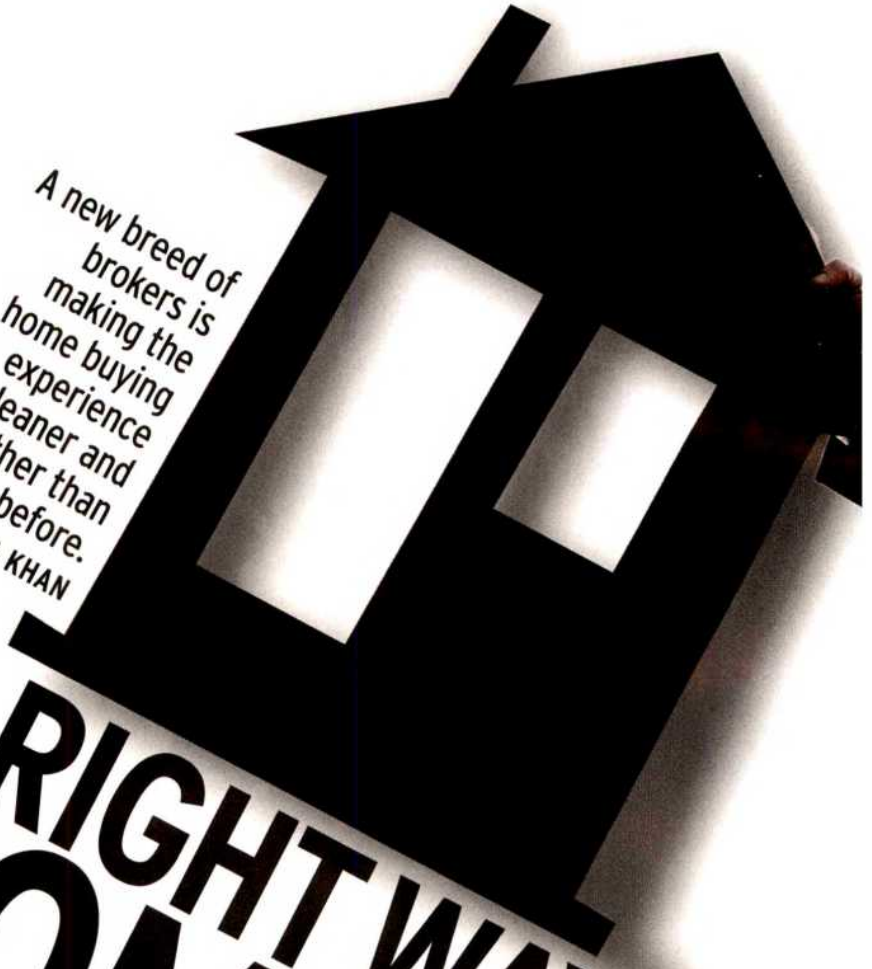


IndiGo's operations control room in Gurgaon. The movement and status of each aircraft is monitored in real time using radio or satellite data links. The airline claims this helps it avoid human intervention and potential errors

An IndiGo plane docks at base after a Delhi-Coimbatore-Chennai-Delhi flight. The airline's deliberate choice of underserved destinations helps add to its profits. Other such routes: Hyderabad-Chennai-Thiruvananthapuram-Kochi-Delhi or Srinagar-Delhi-Indore-Nagpur-Bangalore

An evening flight being refuelled at Chennai before take-off. The aerodynamic wingtips at the end of the wings help save fuel, adding to another three per cent fuel saved by IAE-made SelectOne engines. Ground crew take about 20 minutes to ready an aircraft for the next flight, ensuring IndiGo planes fly about 12 hours every day

Diwan Saheb
DIWAN SAHEB
Six decades of
custom-tailoring
ONLY AT FLAGSHIP STORES



THE RIGHT WAY HOME

A new breed of brokers is making the home buying experience cleaner and smoother than before.

By TASLIMA KHAN

Last year, Santosh Narula, 38, a flight dispatch manager with IndiGo Airlines, decided to buy an apartment. He was reluctant to approach the usual neighbourhood brokers, given their dubious reputation. So he searched online for an alternative and found IndiaHomes, one of a new breed of property agents who insist they are committed to clean, transparent deals. The company found him just the place he was looking for: a two-bedroom flat in a housing complex called Ridge Residency in Noida. "I was not sure whether to buy my flat in Faridabad or in Noida, but IndiaHomes advised me correctly," says Narula. "I am glad I chose Noida, as my property's price has already risen by 25 per cent."

Tales of shifty brokers short-changing home buyers, promising the moon but delivering far less, preferring to deal extensively in cash rather than cheques, often working in league with dodgy developers, are legion. There are around 200,000 brokers in the country, and most of them inspire anything but trust. "One can become a property agent without any registration or certification," says Getamber

ADITYA KAPOOR/www.indiatodayimages.com

"We prefer hiring people from banking, insurance, hospitality and media"

AMIT MAVI, Founder, Better Option Propmart

Anand, Vice President of the Confederation of Real Estate Developers' Associations of India (CREDAI). "There is no accountability to either developer or customer." But lately a new breed of brokers has emerged, who want to break out of this image. "The first question customers ask is: 'Why should I trust you'," says Samarjit Singh, Founder and Managing Director, IndiaHomes. "So we take special pains to ensure we win their trust."

Leading the pack are Investors Clinic and Better Option Propmart (BOP), which notched up revenues of ₹148 crore and ₹150 crore, respectively in 2011/12. The bulk of their earnings came from residential properties. The former was started by brothers Sunny and Honey Katyal from Moradabad, Uttar Pradesh, in late 2006, when they sensed a big opportunity in the flurry of construction activity that had begun in the National Capital Region (NCR). "There was an opportunity to remove unethical practices and institutionalise the industry," says Nishant Singhal, Director, Strategy, Investors Clinic. It was the same spur for Amit Mavi who set up BOP in early 2007. "Residential properties promise much more to investors, 15 to 18 per cent, while in commercial ones, the margin is seven to eight per cent," says Sumit Ghosh, Vice President, Marketing, BOP.

In their wake came others. There is IndiaHomes, the reincarnated face of Agni Property, which began in 2008 as a traditional property agent, but which in early 2010 decided to concentrate on the primary home market – selling only newly built residential properties. It had revenues of ₹26 crore in 2011/12. There is also AllCheckDeals, with revenues of ₹17.5 crore last year, whose very name incorporates the credo that it accepts payments only by cheque. It is part of the Sanjay Bikhchandani-promoted Infoedge Group, which runs a string of classified ad sites, Naukri.com the best known among them. "We got the idea in 2005 following a host of calls from non-resident Indians who wanted to buy homes in India, but without the usual hassles," says Satyajit Tripathi, Business Head of AllCheckDeals. "But we got started only in 2007."

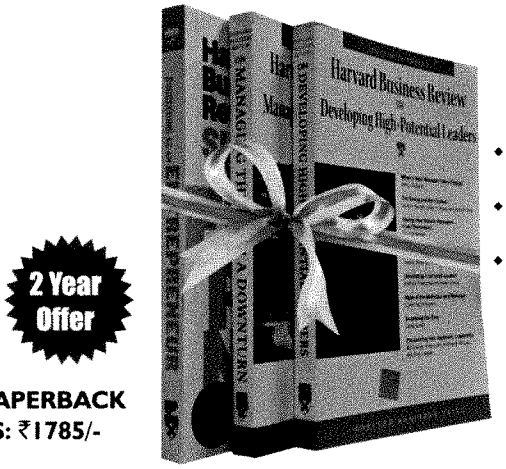
Then there is PropTiger, started by Prashant Agarwal in February last year, which, like IndiaHomes, focuses solely on homes. Financial services player Unicon too launched Unicon Real Estate in 2006, which has so far sold 15,000 residential units and contributes 35 per cent to the group's revenues. "The idea was to offer real estate services from a company which already had some brand equity in stock broking and insurance," says Gajendra Nagpal, CEO and Founder of the group.

Harvard Business Review

INVEST IN YOURSELF!

Subscribe to HBR South Asia and...

- **Save upto 56% off the cover price**
- **Get complimentary access to 4 live webinars worth Rs.6000, with renowned global thought leaders**
- **Get a complementary set of HBR books worth upto Rs.1785/-**
- **Complete access to 2400+ articles on HBR archive online with premium access**



- HBR on Developing High Potential Leaders
- HBR on Succeeding as an Entrepreneur
- HBR on Managing Through a Downturn

2 Year Offer

3 HBR PAPERBACK SERIES: ₹1785/-

For quicker service, logon to www.hbrsasia.org

SUBSCRIPTION FORM

'ES! Please enroll my subscription to Harvard Business Review - South Asia for the term indicated below:

SELECT YOUR TERM	ISSUES	PRICE	SAVE	OFFER PRICE	GIFT	
☐ 2 year Premium (Print + Online) *Access to HBR archives online	*24	₹23,000	43%	₹13,000	3HBR Paperback Series Worth ₹1785/-	• HBR on Developing High-Potential Leaders. • HBR on Succeeding as an Entrepreneur • HBR on Managing Through a Downturn
☐ 2 year Print only	*24	₹18,000	56%	₹8,000		
☐ 1 year Premium (Print + Online) *Access to HBR archives online	*12	₹11,500	43%	₹6,500	2HBR Essential Series Worth ₹990/-	• Entrepreneur's Toolkit: Tools and Techniques to Launch and Grow your New Business • Performance Management: Measure and Improve the Effectiveness of your Employees
☐ 1 year Print only	*12	₹9,000	56%	₹4,000		

Best

Name (Mr./Ms.) _____

Address _____
☐ Home ☐ Office

_____ Post Code _____ Tel (H) _____

D) _____ Fax _____ Email _____ ☐ New ☐ Renew _____
(please indicate your customer numbe

Choose one:

] Charge my credit card: ☐ VISA ☐ ☐

Card No. _____ Expiry _____ Signature _____

] Enclosed is my ☐ Cheque ☐ DD No. _____ (in favour of Living Media India Ltd. For non-Delhi cheques please add ₹50)

] Please tick this box to authorise HBR SA to get in touch with you.

This authorises HBR SA to communicate about its products & promotions through mail/phone/printed material / email etc. *This authorisation is irrespective of my instruction elsewhere of not to be contacted or informed over phone/email
Harvard Business Review is published monthly, except for the Jan/Feb & July/August double issues which count as 2 issues each.

ubscription Terms & Conditions: Harvard Business Review South Asia Cover price is ₹750/- •Savings are off the cover price •Special rates and offer valid in India for a limited period only •Allow 4-6 weeks for processing of your subscription and dispat f the free gift •Add ₹50/- for non-Delhi cheques •It will not be possible to entertain any cancellation once the free gift has been dispatched **•Superscribe your name and address on the reverse of the cheque/DD** •All disputes are subject to the exclusi risdiction of competent courts and forums in Delhi/New Delhi only •HBR SA will not be responsible for any postal delays, transit losses or mutilation of the subscription form •By filling the subscription form, the subscriber understands and agrees to all t rms and conditions of the offer •Terms & conditions apply.

4 EASY WAYS TO CONTACT US

(0120) 2479945
Toll Free No : 1800-1800-100

hbrcare@intoday.com

SMS 'HBRSA' to 52424

A-61, Sector-57
NOIDA-201301

So what do these new-age brokers do differently? For one, they all prefer clean, cheque only deals. For another they have all set up portals to make the property buyer's search experience easier. The portals list every property the company is selling, along with its specifications. IndiaHomes goes a step further than the others by also assigning every property on its site a '*vaastu* score' and a 'neighbourhood score'. The *vaastu* score is arrived at after evaluating the site on 10 parameters related to traditional *vaastu* principles, while the neighbourhood score is calculated on the basis of the apartment's distance from the nearest parks, schools and hospitals.

These brokers also appraise developers carefully before starting to sell their properties. "We do numerous meetings with the builders, get feedback from our sales people and even speak to the media for more details," says Puneet Bhardwaj who heads IndiaHomes's Business Development team for NCR. "The accounts department checks out the builder's balance sheets." Many builders have failed to make the grade. "Of the 5,000-odd developers in the country, only 10 per cent will pass our due diligence process," says Bhaskar Bagchi, Chief Operating Officer, IndiaHomes.

Most of the salespersons traditional brokers employ are not on their payroll but are paid a commission for every property they sell. They are thus solely concerned with netting customers, often exaggerating the virtues of their properties; once the customer has paid up, they are rarely available. The sales force at most of the new broking firms, however, are all full-time employees, and thus much more accountable. Employees are also usually more qualified than those in the business earlier. "Builders can expect clean deals from these brokers who are hiring MBAs and investing in training," says Kunal Banerji, President, Marketing, at realty company, M3M. Indeed, some of them prefer to eschew the real estate sector entirely. "We prefer hiring people from banking, insurance, hospitality and the media," says Mavi of BOP.

Private equity and venture capital firms have taken note. In August 2010, IndiaHomes raised $12 million from Helion Venture Partners and the Silicon Valley-based Foundation Capital. A second round of funding of $4 million from the same investors followed in February last year. PropTiger has got funding of $5 million from SAIF Partners and Accel Partners. "A number of players are trying out different models," says Mukul Singhal, Vice President, SAIF Partners. "Over the next year or so, we will get to know who the clear market leader is."

The hub of the new-age brokers' activities remains the NCR, where more new homes are being built than anywhere else in the country. Global property consultancy Knight Frank estimates there are around 500,000 housing units in various stages of construction currently in this region, which is more than the number of such units in Mumbai, Chennai, Bangalore, Kolkata and Hyderabad put together. But lately these brokers have been looking beyond as well: Investors Clinic now has a presence in 20 Indian cities and towns, and hopes to soon cover 20 more. PropTiger has offices in eight cities, IndiaHomes also covers Mumbai, Kolkata and Bangalore, while BOP, apart from expanding to various Uttar Pradesh towns, opened an office in Mumbai too last year.

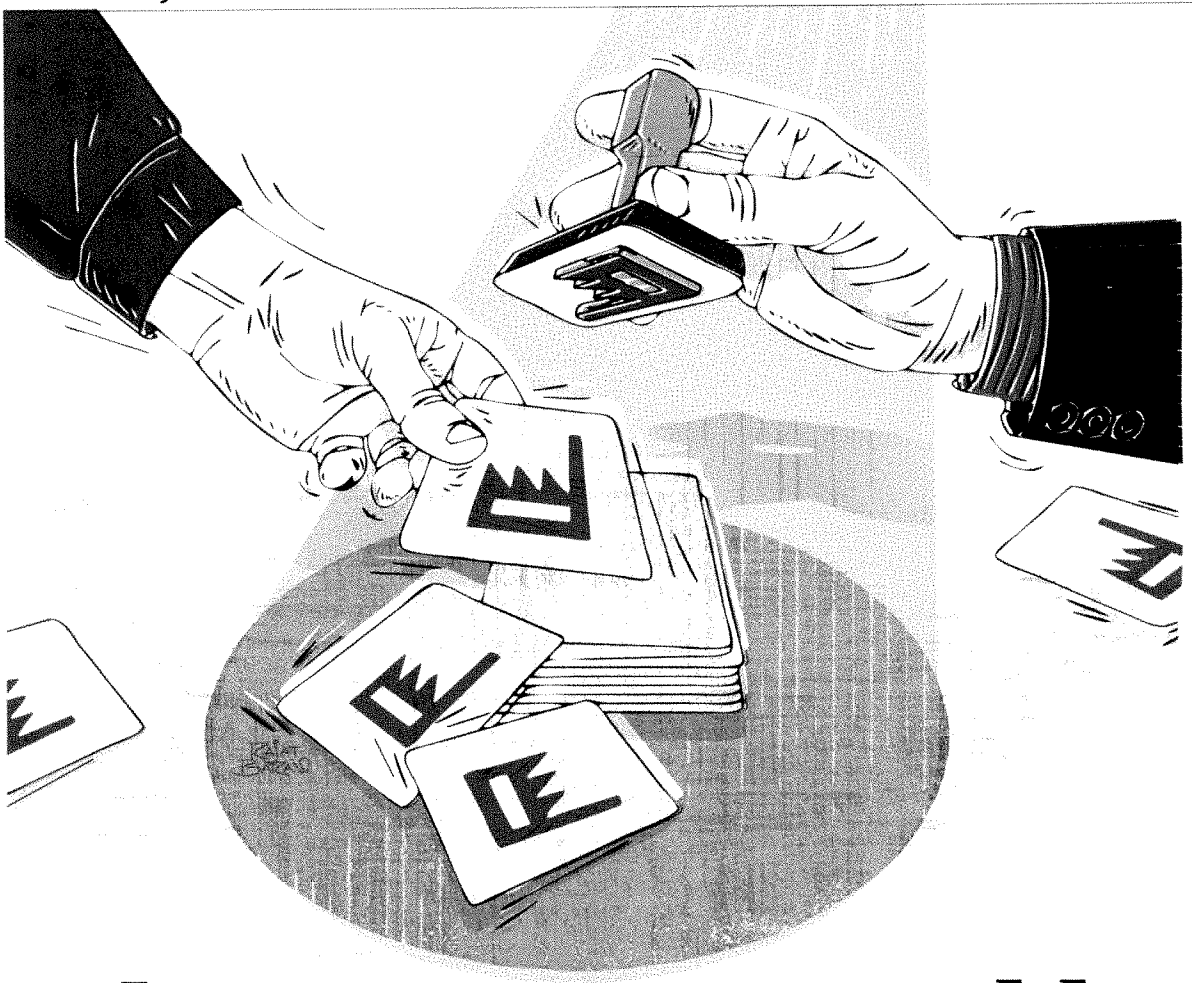
Some sceptics, however, believe it is too early to commend these brokers unreservedly. "All brokers are driven by commissions," says Samir Jasuja, analyst at real estate research firm, PropEquity. "Organised brokers are no doubt coming in, hiring educated people and trying to enforce systems and processes, but there is still some lack of transparency for the buyer." Still, these brokers have taken an urgently needed first step in a new direction, and home buyers can only hope they will continue along the same path. ◆

"The first thing people ask is 'why should I trust you'. We take pains to win that trust"

SAMARJIT SINGH, Founder, IndiaHomes

Send your comments to editor.bt@intoday.com

Harvard Business Review
www.hbr.org



The Great Repeatable Business Model

Leveraging a simple formula allows corporations to create new and more-lasting differentiation.

By CHRIS ZOOK and JAMES ALLEN

Differentiation is the essence of strategy, the prime source of competitive advantage. You earn money not just by performing a valuable task but by being different from your competitors in a manner that lets you serve your core customers better and more profitably.

The sharper your differentiation, the greater your advantage. Consider Tetra Pak, a company that in 2010 sold more than 150 billion packages in 170 markets around the world. Tetra Pak's carton packages extend the shelf life of products and eliminate the need for refrigeration. The shapes they take – squares and pyramids, for example – stack more efficiently in trucks and on shelves than most cans or bottles. The packaging machines that use the company's unique laminated material lend themselves to high-volume dairy operations. These three features set Tetra Pak well apart from its competitors and allow it to produce a package that more than compensates for its cost.

In studying companies that sustained a high level of performance over many years, we found that more than 80 per cent of them had this kind of well-defined and eas-

ily understood differentiation at the centre of their strategy. Nike's differentiation resides in the power of its brand, the company's relationships with top athletes, and its signature performance-focused product design. Singapore Air's differentiation comes from its unique ways of providing premium service at a reasonable cost on long-haul business flights. Apple's differentiation consists of deep capabilities in writing easy-to-use software, the integrated iTunes system, and a simplicity of design and product line (Apple has only about 60 main SKUs).

You can find high performers like these in most industries. The cold truth about hot markets is this: Over the long run, a company's strategic differentiation and execution matter far more to its performance – our research suggests at least four times as much – than the business it happens to be in. Every industry has leaders and laggards, and the leaders are typically the most highly differentiated.

But differentiation tends to wear with age, and not just because competitors try hard to undermine or replicate it. Often the real problem is internal: The growth generated by successful differentiation begets complexity, and a complex company tends to forget what it is good at. Products proliferate. Acquisitions take it far from its core. Frontline employees, more and more distant from the CEO's office, lose their sense of the company's strategic priorities. A lack of consistency kills economies of scale and retards the company's ability to learn. Small wonder that "reinvention" and "disruption" have become leading buzzwords; companies struggling with complexity and fading differentiation come to believe they must reimagine their entire business models quickly and dramatically or else be overwhelmed by upstarts with disruptive innovations.

Most of the time, however, reinvention is the wrong way to go. Our experience, supported by more than 15 years of research into high performance, has led us to the inescapable conclusion that most really successful companies do not reinvent themselves through periodic "binge and purge" strategies. Instead they relentlessly build on their fundamental differentiation, going from strength to strength. They learn to deliver their differentiation to the front line, creating an organisation that lives and breathes its strategic advantages day in and day out. They learn how to sustain it over time through constant adaptation to changes in the market. And they learn to resist the siren song of the *idée du jour* better than their less-focused competitors. The result is a simple, repeatable business model that a company can apply to new products and markets over and over again to generate sustained growth. The simplicity means that everyone in the company is on the same page – and no one forgets the sources of success.

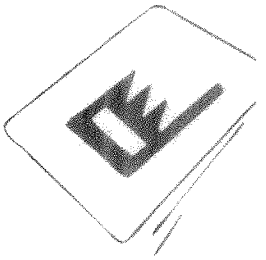
Let us look in more detail at what this involves.

Sources of Differentiation

Opportunities for differentiation are rich and varied in virtually every industry. To examine them more closely, we built a database of 8,000 global companies and tracked their performance over 25 years. We created another database of 200 global companies, which we studied in detail. We supplemented that research with two other data sets: a survey conducted with the Economist Intelligence Unit of nearly 400 global executives, and 50 interviews with chief executives around the world. Building on the data, we cataloged 250 assets or capabilities that can contribute to differentiation and sorted them into three major clusters of five categories each. (See *The Differentiation Map.*)

The most enduring performers, we found, built their strategy on a few vivid, robust forms of differentiation that acted as a system, reinforcing one another. To illustrate, let us examine the factors that make the mutual fund company Vanguard one of the most consistently high-performing businesses in our study.

Ever since its founding, in 1974, Vanguard has been a different kind of company. Its founder, John Bogle, believed passionately in the value of index funds. He saw that a company based on them would need few fund managers and researchers and could therefore charge considerably less than companies with actively managed funds. Bogle also felt he should deal directly with customers and offer them highly responsive service, thus building loyalty. These characteristics are at the core of Vanguard's differentiation today, as can be seen in "The Differentiation Map." The company has the lowest-cost mutual fund "engine", a distribution system that avoids middlemen and allows direct contact with customers, and the highest level of customer loyalty in the industry.



Most innovations, even disruptive ones, affect only one part of a business model

The strongest sources of differentiation in a company's strongest businesses are its crown jewels. Yet our research shows that most management teams spend little time discussing or measuring them and therefore do not agree on what they are. This lack of clarity permeates entire organisations. For instance, more than half of frontline employees say in surveys that they are not clear on their companies' strategic tenets and differentiators. Customers are even more mystified: Although 80 per cent of managers told us they thought their companies were strongly differentiated, fewer than 10 per cent of customers agreed. Yet understanding and agreeing about differentiation, where it can be applied, and how it must evolve is what makes a strategy work.

A systematic approach to understanding your sources of differentiation is key to rectifying this situation. It enables you to have a meaningful discussion of what distinguishes your company from competitors and what you can build on. When we ask each of a company's top 15 managers privately what he or she feels are the most differentiated and important assets and capabilities, we often find a surprising lack of agreement.

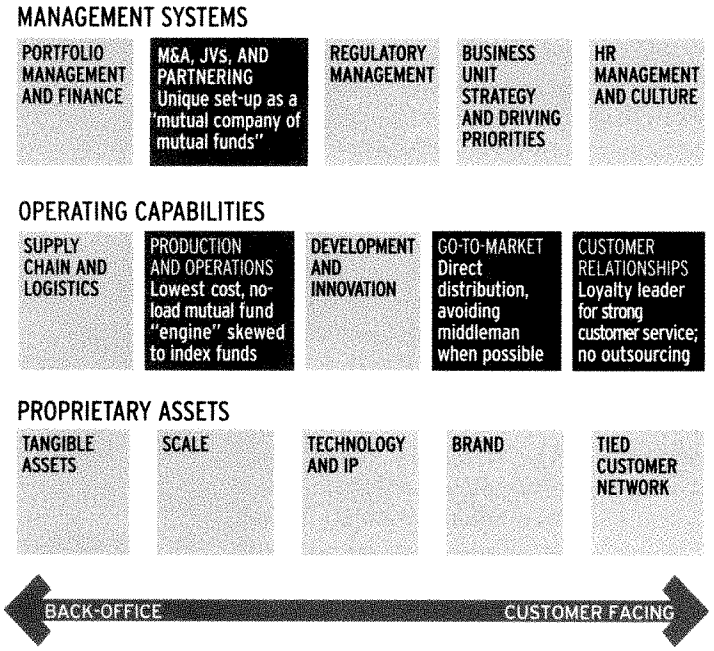
One way to bring data to bear on this range of views is to rate the success of your company's past 20 growth investments and determine what they have in common. This is a starting point for mapping the company's differentiation. Discussions of what really differentiates a business from its competitors are, however, often based on past beliefs more than on current data. As you deliberate about your own key differentiators, you might consult these criteria: Are they (1) truly distinctive? (2) measurable against competitors? (3) relevant to what you deliver to your core customers? (4) mutually reinforcing? (5) clear at all levels of the company? Though each of the five seems obvious, reaching agreement on your differentiation and testing it against these criteria is not as easy as it sounds. The harder it proves, the more valuable the exercise. In our experience, many companies fail these tests – but the most successful ones pass them every time.

The ability to recognise and test the sources of your differentiation in this way is important for focusing innovation. Most innovations, even disruptive ones, affect only one part of a business model, leaving the rest intact. The shift from glasses to contact lenses, for example, had little effect on the basic customer need for vision correction, the industry's distribution system, or the network of eye doctors. The shift from wired to wireless telephony caused chaos for many incumbents, yet some used their infrastructure, customer access, brand, and ability to work with regulatory organisations to prevail. The more precise your understanding of your model and the sources of its success, the more precisely you can focus innovation resources on the areas where the threats and the need for change are greatest.

The Differentiation Map

We catalogued 250 assets or capabilities that can make up a company's differentiation. We then sorted them into three major clusters, each with five categories, to create the Differentiation Map. Assuming that four or five categories are required to achieve differentiation, these 15 basic categories generate more than 5,000 distinct ways in which a company can differentiate itself. (It is possible, however, to break the categories down further, in which case the number of ways to differentiate explodes into more than a million.)

Vanguard's differentiating strengths are highlighted below.



Growth Based in Differentiation

The best way to grow is usually by replicating your strongest strategic advantage in new contexts. Companies typically expand in one or more of four ways: They create or purchase new products and services, create or enter new customer segments, enter new geographic

locations, or enter related lines of business. A company can pursue each of these strategies in various ways – for example, adding new price points or finding new uses for a product or service that will appeal to new customers.

The power of a repeatable model lies in the way it turns the sources of differentiation into routines, behaviours, and activity systems that everyone in the organisation can understand and follow so that when a company sets out on a particular growth path, it knows how to maintain the differentiation that led to its initial success. The global agribusiness Olam is a case in point. The company began as a cashew trader. It purchased nuts directly from farmers in Nigeria and sold them to a dozen customers in Europe, managing a supply chain from the farm gate to the shop door. This approach was unusual for the industry. It cut out middlemen, safeguarded Olam's access to products, and increased the company's market intelligence and speed of reaction. To do this well, of course, Olam had to learn to work closely with small farmers. It also had to develop a risk management system that drew on information garnered from farmers, customers, and commodities and foreign exchange markets to minimise the risks of crop problems, price and currency volatility, and supply disruption.

These capabilities translated into other contexts. Olam realised that its knowledge of small farmers in Nigeria could be applied to small farmers in, say, Burkina Faso. Its risk management skills could be applied to peanuts or coffee beans as well as to cashews. The company accordingly added both farmers and customers in new countries and new products. It now sources 20 agricultural products from farmers in 65 countries and delivers them to more than 11,000 customers across the world.

Of course, Olam's differentiation evolved as the company grew. For instance, as it expanded into certain countries, it found opportunities to acquire and fold in small operations based in those countries. Although Olam had no experience with M&A, its capabilities and assets, including good contacts at the ground level in its countries of operation, gave it an advantage in recognising promising opportunities and understanding how to negotiate with and integrate acquisitions.

Over time, the company has developed playbooks for M&A and deal integration and now considers them important differentiating features that frontline managers (and everyone else in the organisation) understand and value. As Olam's CEO, Sunny Verghese, explains: "Our line managers find and consummate transactions at the local level. It is sort of a hidden asset that we have because our people are in the market at a lower level of contact than anyone else. Our ability in transactions is now part of our core, and we manage it centrally with a unique repeatable formula of clear rules and criteria."

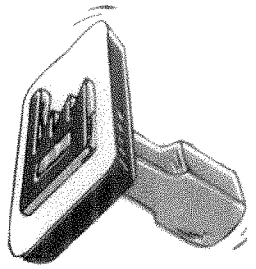
Supporting Your Differentiation

Although differentiation is at the heart of a repeatable model, it needs the support of a rigorously focused yet flexible organisation. Our research shows that powerful differentiations create the most enduring profits when a company delivers them to the front line in the form of simple, non-negotiable principles and when it creates robust learning systems that facilitate constant adaptation. Let us look at these factors in turn.

Non-negotiable principles. This is a fundamental building block of repeatability, a way of keeping everyone on the same page. Analysis of our 200-company database reveals that 83 per cent of the best-performing businesses had established explicit, widely understood principles across the organisation, while only 26 per cent of the worst performers had done so. Indeed, a link between well-defined, shared core principles and frontline behaviour was more highly correlated with business performance than any other factor we studied.

The logic of this connection seems clear. Non-negotiables translate the most important beliefs and assumptions underlying the company's differentiation into a few prescriptive statements that all employees can understand, relate to, and use as a reference point for making trade-offs and decisions. In effect, they are the headlines of the user's manual for a company's strategy.

To illustrate how companies use non-negotiables, let us go back to Olam. A key differentiator is that the company manages supply chains right from the farm gate. To support this, Olam requires managers to live in the rural areas of developing countries in order to learn what really goes on at the farms. This non-negotiable principle is the foundation for hiring criteria, assignments, and the structure and content of training. Another non-negotiable is that each manager give highest priority to relationships with local farmers. Olam's field operating man-



The power of a repeatable model lies in the way it turns the sources of differentiatior into routines, behaviours, and activity systems

Making Your Differentiation Easier to Repeat

Replicating your greatest successes means deeply understanding their root causes, maintaining a 360-degree view of where they could be adapted, and ensuring that the entire organisation internalises the strategy and the differentiation on which they are built. Here are six actions to consider:

1 Make sure that you and your management team agree on your differentiation now and in the future. You may want to ask each person to write it down; then you can collate the results in advance for discussion. At a minimum, consider three questions: (a) What do our core customers see as our key sources of competitive differentiation? (b) How do we know? (c) Are these sources becoming more or less robust?

2 See whether the front line of your organisation agrees with what you come up with. Can employees and supervisors describe the strategy and the areas of differentiation as you do? Do they feel that they understand the strategy? Is it simple and clear? Online surveys, anonymously tabulated, can be a big help with this task.

3 Write your strategy on a page, or even on an index card. Does your description of it centre on the key sources of differentiation? Is your page sharp and convincing to others, including customers and investors, and backed by data?

4 Conduct a postmortem of your 20 most recent growth investments and initiatives. Are your greatest successes or disappointments explained, in part, by the central differentiators that were transferred?

5 Translate your strategy into a few non-negotiables. Can you describe simple principles that the organisation believes in and that define the key behaviours, beliefs, and values needed to drive the strategy? Are they embedded in day-to-day routines, or are they simply words on a page?

6 Review how you monitor the most important health indicators of your core business and its differentiators, both for short-term adjustment and for long-term investment in new capabilities. Does your method drive learning and adaptation? Is quickness to adapt a competitive advantage? Are you sure?

ual captures many of the routines that support this requirement. The company's principles, and the practices that support them, are central to its culture and provide a bonding experience for managers, who respond to trade-offs and challenges at all levels with remarkable consistency.

Tetra Pak has different but equally powerful non-negotiables. One of them is that the package must save more than it costs, an idea that originated with the company's founder and was the reason for developing its signature tetrahedron-shaped package for milk or juice. Every major new product, package design, or line of equipment must meet that standard. Tetra Pak has developed sophisticated methods for evaluating the systems cost of packaging, including production costs, spoilage, transportation and storage, and disposal costs. It claims that it can reduce operating costs by as much as 12 per cent for a dairy or juice company.

To understand the power of this consistency, consider that from the moment a business is founded, management becomes increasingly distanced from the customer and the front line. Up and down the organisation, information slows and grows distorted – the corporate equivalent of the classic game Telephone, in which a message is relayed around a table in whispers and has become unrecognisable by the time it completes the circuit. When a company internalises a set of principles, the message no longer gets garbled. A shared point of view, core beliefs, and a common vocabulary improve everyone's ability to communicate and foster self-organisation, permitting fewer layers, and shorter communication lines. All this increases the speed of a business, which means you can capture more growth opportunities ahead of competitors and accomplish more per unit of time.

Robust learning systems. Clear differentiation supported by non-negotiables confers a competitive advantage – for a while. As markets shift, however, successful organisations must also be able to learn quickly and adapt to new circumstances. Both our research and the recent history of business reflect the importance of supporting your differentiation with rapid learning and adaptation. Some 48 per cent of managers in our top group of performers felt that their companies were characterised by strong learning systems, compared with only 9 per cent among the rest. The travails of Kodak, GM, Xerox, Nokia, Sony, Kmart, and many others can be seen as cases of arrested adaptation – great formulas that simply did not change fast enough. Most such cases, we should note, did not involve disruptive innovations that caught the incumbent flat-footed. Stalls and stagnation

stem from a failure to learn much more often than from a hard-to-predict disruption.

The most common method of learning in companies with great repeatable models comes from direct, immediate customer feedback. The most powerful demonstration we have seen is through Net Promoter systems, which are used at Vanguard, in Apple's retail division, and at many other companies. In this approach, customers are usually asked one or two questions shortly after contact about their satisfaction with the experience and their willingness to recommend the product, service, or company to a friend or colleague. The power of the Net Promoter Score lies in its simplicity. Companies that chase more-detailed feedback typically find that customers do not bother to engage, so data are fewer and poorer as a result.

In more-complex environments, companies with direct sales forces have other interesting opportunities to create strong feedback loops with customers. Take the toolmaker Hilti. Founded in 1941 by Martin and Eugen Hilti as a mechanical workshop with five employees in Schaan, Liechtenstein, the company focused on innovative tools for difficult construction jobs. Martin Hilti spent much time at job sites, observing and interacting with customers. This was the start of the Hilti direct sales force. Over the decades, the business grew one tool at a time. The company would develop a basic design and then innovate intensively on the details, using information its salespeople acquired at job sites. Today, in an industry where about 75 per cent of products are sold through indirect channels, this direct customer contact remains a differentiated strength. It accounts in part for Hilti's ability to command significant price premiums over competitors.

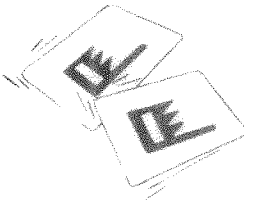
Real-time response is a competitive weapon of growing importance in a world of increasing speed and complexity. The companies that move fastest can often operate within competitors' decision cycles, so competitors are always responding to them rather than the other way around. Marcia Blenko, Paul Rogers, and Michael Mankins recently studied 760 companies worldwide through 40 questions regarding perceptions of decision speed, quality, and ability to execute. When they synthesised the responses into an index of decision effectiveness,they found that companies ranked in the top quintile produced, on average, a total shareholder return about six percentage points higher than the returns of other companies. Companies with robust learning systems usually score higher than average on all three counts.

A repeatable differentiation can falter and even collapse without non-negotiable principles and robust learning systems – and without strong management to preserve and protect it. Think of Nokia. Its leaders created a formula for tablet-shaped handsets that allowed it to achieve enormous economies of scale and dominate the market for more than a decade. Yet despite considerable surplus resources during that time, the company's leaders failed to adapt and invest aggressively in the future. As a result, in just a year Nokia lost its market position to Apple, Google, and Research In Motion. This lesson is all the more sobering given that Nokia's R&D and product development teams had many years earlier created some of the basic concepts later used in the iPhone: a large display, a touchscreen, Internet readiness, and an app store.

The search for profitable growth is becoming increasingly difficult. Today fewer than 10 per cent of companies achieve more than a modest level of profitable growth over a decade, and the odds of success are declining. A series of interviews we conducted with CEOs regarding their challenges on the job spotlight two reasons for this state of affairs. One is that companies are forced to adapt faster than ever. The other – and this one was at the top of the list – is the need to control ever-growing levels of complexity. Sluggish, too-complex organisations are the silent killers of corporate growth and profitability. Interestingly, only 15 per cent of executives in our survey cited a lack of attractive opportunities as a major barrier to growth. Internal complexity and barriers to speed of adaptation were far more important.

Our findings show that the simplest strategies, built around the sharpest differentiations, have hidden advantages not only with customers but also internally, with the frontline employees who must mobilise faster and adapt better than competitors. When people in an organisation deeply understand the sources of its differentiation, they move in the same direction quickly and effectively, learning and improving the business model as they go. And they turn in remarkable performance year after year.

Chris Zook *and* **James Allen** *are partners at the global consulting firm Bain & Company and lead its strategy practice. This article was published in* HBR, *November 2011.* *All rights reserved.*



The travails of Kodak, General Motors, Xerox and others can be seen as cases of arrested adaptation – great formula that simply did not change fast enough

GLOBAL INVESTORS MEET 2012

GIM
GLOBAL INVESTORS MEET
BANGALORE 7-8 JUNE 2012

Karnataka has witnessed industrialization prior to the days of Sir. M. Vishweshwaraiah, the Dewan of the erstwhile princely State of Mysore, whose famous quote "Industrialise or Perish" echoes throughout the State of Karnataka.

Shri D V Sadananda Gowda
Hon'ble Chief Minister, Government of Karnataka

The Government has always endeavored to set up the right kind of business climate to motivate investments in the State. Names such as Bharat Heavy Electricals, Bharat Electronics, Hindustan Aeronautics, Jindal Vijaynagar, MRPL, Intel, General Motors, General Electric, Toyota, Volvo, SAP Labs, Infosys, Wipro etc. with their presence in the State, indicate the kind of business environment the State has been able to offer.

Over the last decade, Industry and Trade have witnessed far-reaching and rapid economic changes in technology, innovation, new products and processes and business practices. Karnataka has on its part kept abreast of industrialization and its position on the industrial and business map of India is based on a number of factors. The state's rich natural resources, pleasant industrial climate, diversified topography, varied soils and a 320 Km long coastline gives it an enviable advantage. Its proactive efforts on industrialization need special mention while its administrative traditions are traceable to the Vijayanagara, Hoysala and Mysore Kingdoms.

Karnataka is among the top five industrial states in India and is ranked among the largest exporters of software and is the largest recipient of FDI in the country. It is a leading state for Biotechnology (183 out of 340 Biotech companies are in Karnataka) and also a manufacturing hub for some of the largest public sector industries namely Hindustan Aeronautics Limited, National Aerospace Laboratories, Bharat Earth Movers Limited, Bharat Heavy Electricals Limited, United Breweries and Hindustan Machine Tools.

Karnataka spearheads the domestic industrial growth in key high-tech sectors such as telecommunications, electronics, information technology, precision engineering, steel, manufacturing, automobiles, automobile components, machine tools and biotechnology.

The Global Investors Meet (GIM) is a biennial summit held by the Government of Karnataka. This flagship event of the State Government, introduced with the objective of bringing together business leaders, investors, corporations, thought leaders, policy and opinion makers on one platform to interact and initiate business dialogue apart from imparting knowledge across sectors.

Karnataka has been the preferred destination for most global investors and this was made obvious with the astounding success of the second edition of GIM held in 2010, which generated over Rs. 3.82 lakh crores worth of investments into the state. The summit saw the participation of over 7,000 delegates and 2,000 companies from 21 countries and 21 States. Nearly 62 per cent of the MoUs signed during GIM-2010 are at various stages of implementation while 36 units had taken off. 310 MOUs were signed at GIM-2010 clearly indicating Karnataka's leadership as an Industrial friendly state.

The Government of Karnataka has taken a number of proactive steps and embarked on a massive promotional campaign encompassing industry outreach within and outside the country with this. Karnataka is all set to attract huge investments to the tune of Rs. 5 lakh crores into the state at the **"Global Investors Meet-2012"** which is slated to be held from June 7-8 at the BIEC, Bangalore. The spinoff will include the creation of over 10 lakh jobs apart from achieving overall economic growth in the state.

Shri Murugesh. R. Nirani,
Hon'ble Minister for Large and Medium Scale Industries, Government of Karnataka

While GIM 2010 largely attracted investment from the steel and cement sectors, the Global Investors Meet 2012 will focus sectors like Energy, Infrastructure, Engineering, Tourism, Chemicals and Petro Chemicals and Textiles. The State Government is giving substantial focus on attracting companies from the medium and small segments (MSMEs).

The GIM Expo planned at the BIEC also seeks to showcase the top 20 industry and service sectors. Over 10,000 business visitors comprising top management will have the opportunity of interacting and networking with business leaders and policy makers apart from engaging in B2B meetings and focussed conferences and tracks addressed by experts. This will be a boost to the economic development in Karnataka. Going by the conducive industrial climate and by the response from industries across sectors, based outside of Karnataka, GIM 2012 promises to be a resounding success.

GOVERNMENT OF KARNATAKA

GIM
GLOBAL INVESTORS MEET
BANGALORE 7-8 JUNE 2012

Sri. D. V. Sadananda Gowda
Hon'ble Chief Minister,
Government of Karnataka

Sri. Murugesh R. Nirani
Hon'ble Minister for
Large & Medium Industries,
Government of Karnataka

KARNATAKA
WHERE ENTERPRISE LOVES TO LIVE

GIM 2012 - A platform to provide land / water / power / infrastructure/clearences on fast-track basis and facilitate your project.

GIM 2012 is aimed at bringing together Business Leaders, Investors, Corporates, Thought Leaders, Policy and Opinion Makers under one platform. Apart from exhibitions and sectoral seminars, B2B and B2G meetings are also organized as part of the summit.

The Government of Karnataka plays the role of a catalyst and facilitator to sustain and grow Karnataka's privileged status as India's preferred investment destination.

ADVANTAGE KARNATAKA

- Progressive economy • Pragmatic governance
- Established industry clusters
- Rich natural resource base
- New & planned industrial infrastructure
- Strong support infrastructure
- Large human resource base

GIM expo 2012
6-7-8 June 2012

- 14 Focus Pavilions • 600 Exhibitors
- 10,000 Delegates • 1,00,000 Business Visitors
- Vendor Development • B2B / B2G Meetings
- Business Conclave • Sector Seminars

BLOCK YOUR DATES
7th & 8th June 2012 • BIEC • Bangalore

Key focus sectors at GIM 2012
| Agrotech and Food Processing | Automobiles | ICT, Electronics and Hardware | Infrastructure | Energy and Environment | Health | Textiles | Education • R&D • Innovation | Packaging | Chemicals and Petrochemicals

Karnataka Udyog Mitra • SBI • CII • FICCI • Knowledge Partner ERNST & YOUNG • Event Partner MM ACTIV Sci-Tech Communications

To know more about GIM 2012 and to register online, please visit: **www.advantagekarnataka.com**

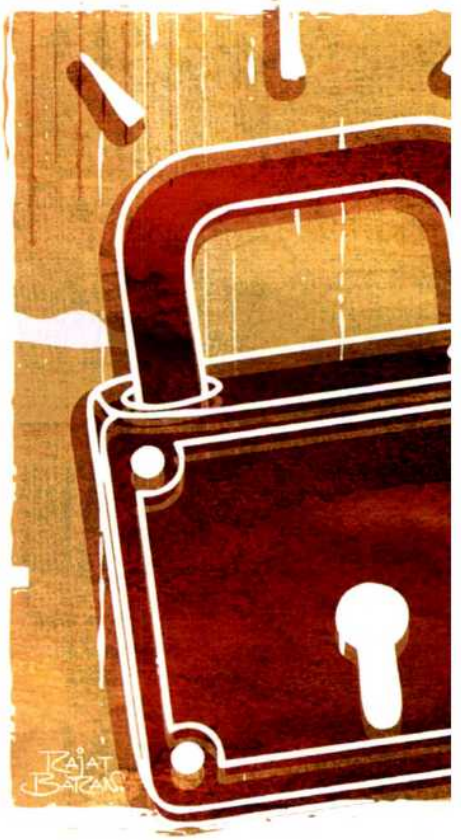
For more information contact:
Karnataka Udyog Mitra, 3rd Floor, Khanija Bhavan (East Wing), No. 49, Race Course Road, Bangalore - 560 001.
• Ph: 91-80-2228 2392, 2228 5659 • Fax: 91-80-2226 6063 • Email: md@kumbangalore.com

MONEY

TRADING TIP
ALL COMMODITIES ARE GLOBALLY TRADED AND THE GLOBAL DEMAND-SUPPLY SITUATION IS EASY TO UNDERSTAND

Keys to Commodity Trading

Rahul Oberoi dispels nine common myths about investing in this market



1 Commodity traders are mostly speculators

Commodity trading has its share of speculators, but what is wrong in that? Hedgers, arbitrageurs and speculators all help in efficient price discovery and price-risk management. "Speculators are an important link in the market. They can only work, however, because someone is hedging their risk," says Naveen Mathur, Associate Director, Commodities and Currencies, Angel Broking. Ashwin Vidhate, Economist, NCDEX, agrees. "Speculators are important market players who inject liquidity and help hedgers transfer risk," he says. "Their absence will mean fewer players, making it difficult and expensive for participants to transfer risk." Speculators are prepared to assume the risk that hedgers are trying to transfer in the futures market. Speculators add depth and liquidity to the market, but not every investor need be one.

2 Understanding the market is too difficult

Many investors think the commodity market is difficult to understand. Vivek Gupta, Head of Research, CapitalVia Global Research, does not agree. "All commodities are globally traded and the global demand-supply situation is widely known and available to anyone who reaches out for it," he says. "The commodity market is not complex. It moves according to basic economic factors and seasonal cycles that affect prices."

3 There is no assurance of quality of commodities delivered

Most exchanges have quality control measures in place to ensure that commodities delivered to their warehouses meet high quality standards. They also make efforts to see that only quality stocks are delivered to buyers.

Experts say commodities delivered within the final validity period are of standard grade and quality. Standards of quality and quantity are ensured by rules set by the government and commodities trading exchanges. "The exchanges have well-established inspection and audit processes to ensure adherence to the highest standards in testing, assaying and storing of commodities, and ensuring the quality of commodities delivered," says Dilip Bhatia, CEO, Ace Derivatives and Commodity Exchange. "The buyer also has the option of getting the stock examined for quality while accepting delivery."

4 Commodity markets are too volatile

Many investors see volatility as a big problem. They have to invest four to 10 per cent value of the commodity, far less than in stock futures. However, many do not know how to gain from such high leverage. Another problem is that they overtrade and use the margin to the hilt. Therefore, if prices rise a little, they can double their money, but if prices fall, they lose all their money. "Commodities are no more volatile than stocks if we remove the leverage," says Shariq Hoda, Executive Vice President (Products), Religare Broking. However, Harish Galipelli, Head (Commodities), JRG Securities, says: "The fact is that prices of derivatives are directly linked to prices in spot markets." Apart from this, unlike stocks, which can move by even 20 per cent in a single session, metal and energy contracts can rise or fall by a maximum of six per cent in a day. In agricultural commodities, the range is only four per cent.

5 Commodity exchanges fuel inflation

Commodity exchanges promote price transparency. Today, a copper wire manufacturer in Punjab can see the live international price of copper in London on his trading terminal. Similarly, a farmer in Haryana can find out the current price of wheat in Delhi. By allowing wider participation, exchanges discourage cartelisation by local traders and associations and facilitate fair price discovery. "By providing futures trading in far-month contracts, exchanges provide price signals to farmers, policy-makers and other value chain participants," says Ashwin of NCDEX.

Trading Volumes of Precious and Base Metals in 2009/10

Gold	Silver	Copper	Zinc	Lead
0.013	0.46	32.58	28.45	24.45

In million tonnes Source: Forward Markets Commission

6 It is hard to make money in commodity trading

It is generally believed that most investors lose money in commodities' futures. "This happens only when market participants do not trade with discipline and fall victims to greed and fear," says Mathur of Angel Broking. For example, investors hold on to losses hoping that prices will recover. In case of profits, they square off positions for the fear of losing money already earned. Professional guidance can help in such situations. "Traders make huge amounts of money for clients," says Gupta of CapitalVia Global Research. "They have spent time understanding market movements and apply the right blend of technical and economic analysis. Many fund managers and hedge funds trade only in commodities and have a record of giving 20 to 30 per cent a year earnings for more than a decade."

7 Commodity trading is only for big traders

I do not think the commodity market is only for investors who have a lot of spare money," says Dharmesh Bhatia, Associate Vice President (Research), Kotak Commodities Services. "Any person can trade by paying a small percentage of the total value of the contract." Exchanges such as Multi Commodity Exchange (MCX), National Commodity and Derivatives Exchange, National Multi Commodity Exchange and Indian Commodity Exchange have several options for high net worth investors, companies and small investors. For instance, the exchanges first launched gold contracts on one kilo bars. Later, they introduced the 100 gram, 8 gram and 1 gram contracts for small investors. MCX launched a 1 gram gold petal contract in 2011 with a four per cent margin requirement. So, one can invest as little as ₹112 and take exposure of ₹2,776 (the price of 1 gram of gold as on March 28, 2012).

8 Delivery of commodities is compulsory

There is a common belief that anyone who buys commodity derivatives has to take delivery as well. Delivery is mandatory only in specific commodities and that too only if one keeps the position open after the delivery notice period. There is compulsory delivery in commodities such as *chana* and gold. However, an investor cannot take delivery of crude oil and metals, as trades in these two commodities are cash settled. Settling a futures contract by paying the price difference rather than taking delivery of the physical commodity is known as cash settlement. Bhatia of Kotak Commodity Services says: "It is not necessary to take delivery as long as the trader squares off his positions before the contract's expiry. Only commercial players like hedgers and arbitrageurs take delivery."

9 Prices are easy to manipulate

Most commodities that are traded are produced and consumed across the globe. As such, an individual or a group of people cannot easily manipulate prices. However, illiquid commodities can be manipulated, say experts. Harish Galipelli, Head, Commodities, JRG Securities, says: "Price manipulation is possible only when production is concentrated in one area. It does not happen with essential commodities. Regulators and governments monitor prices of essential commodities and take steps whenever there is an attempt to manipulate the markets." Mathur of Angel Broking agrees."One cannot change a commodity's fundamentals. Commodity prices reflect demand-supply dynamics and thus operators cannot manipulate prices. Besides, commodities are traded worldwide and hence there is a minimal chance of manipulation by a handful of participants," he says.

Part I

(₹ in Lakhs)

STATEMENT OF STANDALONE/ CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31.03.2012

Sl. No.		PARTICULARS	STANDALONE					CONSOLIDATED	
			QUARTER ENDED 31.03.2012	QUARTER ENDED 31.12.2011	QUARTER ENDED 31.03.2011	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
			(Un-Audited)	(Un-Audited)	(Un-Audited)	(Audited)	(Audited)	(Audited)	(Audited)
1		**Income from Operations**							
	a	Interest Income	2,78,656	2,65,008	2,15,805	10,26,402	8,10,877	10,26,402	8,10,877
	b	Other Operating Income	2,063	1,360	3,028	7,357	14,814	7,357	14,814
		Total Income from Operations	**2,80,719**	**2,66,368**	**2,18,833**	**10,33,759**	**8,25,691**	**10,33,759**	**8,25,691**
2		**Expenses**							
	a	Finance Costs	1,76,585	1,64,493	1,30,425	6,37,880	4,85,101	6,37,884	4,85,111
	b	Employee benefits expense	3,966	6,797	4,677	17,097	12,747	17,462	13,021
	c	Other Expenses	2,647	927	858	5,835	3,725	6,620	4,880
	d	Allowance for bad and doubtful debts	-	2,409	9	4,909	22	4,909	22
	e	Allowance for rescheduled loans	318	-	-	318	-	318	-
	f	Depreciation and amortisation expense	94	72	78	327	303	334	306
	g	Foreign Exchange Fluctuation Loss	640	(8,661)	-	5,255	-	5,255	-
		Total Expenses	**1,84,250**	**1,66,037**	**1,36,047**	**6,71,621**	**5,01,898**	**6,72,782**	**5,03,340**
3		**Profit from Operations before Other Income & Exceptional Items**	**96,469**	**1,00,331**	**82,786**	**3,62,138**	**3,23,793**	**3,60,977**	**3,22,351**
4		Other Income	5,983	3,544	11,800	17,148	23,835	21,603	27,529
5		Profit before tax & Exceptional Items (3+4)	1,02,452	1,03,875	94,586	3,79,286	3,47,628	3,82,580	3,49,880
6		Exceptional Items	-	-	-	-	-	-	-
7		**Profit from Ordinary Activites before Tax (5+6)**	**1,02,452**	**1,03,875**	**94,586**	**3,79,286**	**3,47,628**	**3,82,580**	**3,49,880**
8		**Tax Expense**							
		- Current Year	25,701	27,003	25,119	97,459	90,812	98,533	91,562
		- Earlier Years / (Refund)	-	-	-	(148)	364	(97)	370
		- Deferred Tax Liability / (Asset)	482	(79)	(559)	272	(541)	278	(541)
9		**Net Profit from Ordinary Activites after Tax (7-8)**	**76,269**	**76,951**	**70,026**	**2,81,703**	**2,56,993**	**2,83,866**	**2,58,489**
10		Extraordinary Items (net of tax expense)	-	-	-	-	-	-	-

Part II

SELECT INFORMATION FOR THE QUARTER AND YEAR ENDED 31.03.2012

Sl. No.	PARTICULARS	QUARTER ENDED 31.03.2012	QUARTER ENDED 31.12.2011	QUARTER ENDED 31.03.2011	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A	**PARTICULARS OF SHAREHOLDING**					
1	**Public shareholding**					
	- Number of shares	32,78,52,000	32,78,52,000	32,78,52,000	32,78,52,000	32,78,52,000
	- Percentage of shareholding	33.20%	33.20%	33.20%	33.20%	33.20%
2	**Promoters and Promoter group Shareholding**					
	a) Pledged/ Encumbered					
	- Number of shares	NIL	NIL	NIL	NIL	NIL
	- Percentage of shares (as a % of total shareholding of Promoter and Promoter Group)	NIL	NIL	NIL	NIL	NIL
	- Percentage of shares (as a % of total share capital of the Co.)	NIL	NIL	NIL	NIL	NIL
	b) Non-Encumbered shares					
	- Number of shares	65,96,07,000	65,96,07,000	65,96,07,000	65,96,07,000	65,96,07,000
	- Percentage of shares (as a % of total shareholding of Promoter and Promoter Group)	100.00%	100.00%	100.00%	100.00%	100.00%
	- Percentage of shares (as a % of total share capital of the Co.)	66.80%	66.80%	66.80%	66.80%	66.80%

	PARTICULARS	QUARTER ENDED 31.03.2012	
		Equity Securities	Debt Securities
B	**INVESTOR COMPLAINTS (Nos.)**		
	Pending at the beginning of the quarter	0	0
	Received during the quarter	220	8
	Disposed off during the quarter	219	8
	Remaining unresolved at the end of the quarter	1	0

STANDALONE/ CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(₹ in Lakhs)

		STANDALONE		CONSOLIDATED	
Sl.		AS AT	AS AT	AT	AS AT

12	Share of profit/(loss) from associates	-	-	-	-	-	-	-
13	Minority Interest	-	-	-	-	-	-	-
14	**Net Profit after taxes, minority interest and share of profit from associates(11+12+13)**	**76,269**	**76,951**	**70,026**	**2,81,703**	**2,56,993**	**2,83,866**	**2,58,489**
15	Paid up Equity Share Capital (Face Value ₹10 per share)	98,746	98,746	98,746	98,746	98,746	98,746	98,746
16	Reserves & Surplus (Excluding Revaluation Reserves) (as per audited balance sheet as at 31st March)				13,75,746	11,80,116	13,81,842	11,83,998
17	i **Earnings per Share (EPS) (before extraordinary items) (of ₹10 each) (not annualised)**							
	a Basic	7.72	7.79	7.10	28.53	26.03	28.75	26.18
	b Diluted	7.72	7.79	7.10	28.53	26.03	28.75	26.18
	ii **Earnings per Share (EPS) (after extraordinary items) (of ₹10 each) (not annualised)**							
	a Basic	7.72	7.79	7.10	28.53	26.03		26.18
	b Diluted	7.72	7.79	7.10	28.53	26.03		26.18

See accompanying notes to the financial statements.

Notes:

1. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March 2012 have been prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. Further, previous periods/years figures have been regrouped/rearranged wherever necessary.
2. The above financial results for the quarter/year ended March 31, 2012 were reviewed by the Audit Committee at the meeting held on May 23, 2012 and approved by the Board of Directors and taken on record at the meeting held on May 23, 2012 and are subject to review by Comptroller and Auditor General of India u/s 619(4) of the Companies Act,1956.
3. Other Income as at 4. in Part I above includes net foreign exchange gain of ₹ Nil during the quarter and year ended 31.03.2012 (Corresponding quarter ₹ 5,595 lakhs and year ₹ 8,533 lakhs). Further, during the financial year 2011-12, an amount of ₹ 5,255 lakhs has been charged to the Statement of Profit and Loss as foreign exchange fluctuation loss.
4. The company has adopted to account for gain or loss on interest rate swaps on domestic borrowings on accrual basis. Due to this change in accounting policy, the profit before tax for the quarter and year ended 31.03.2012 is higher by ₹ 3.28 Crores. The company has changed its Significant Accounting Policy w.e.f. 01.04.2011 with respect to the accounting treatment of foreign currency translation differences in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' and has opted for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items. Due to this change in accounting policy, the profit before tax for the quarter is lower by ₹ 15.77 Crores while the profit before tax for the year ended 31.03.2012 is higher by ₹ 181.88 Crores .
5. The Company has made a public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹ 3,00,000 lakhs during the financial year 2011-12. The bonds have been allotted on 27.03.2012 and the issue proceeds had been kept in designated Public Issue accounts. The issue proceeds could not be utilized till the Balance Sheet date as the proceeds of the funds raised became available to the company only on the listing of the bonds on Bombay Stock Exchange Limited (BSE) on 04.04.2012.
6. The Company paid an interim dividend of ₹ 5/- per Equity Share (on face value of ₹ 10/- each) in the month of February, 2012. The Board of Directors has recommended final dividend of ₹ 2.50/- per share (on face value of ₹ 10/- each) for the year 2011-12, subject to approval of the Shareholders in the ensuing Annual General Meeting. The total dividend (including interim dividend) for the financial year 2011-12 is ₹ 7.50/- per share (on face value of ₹ 10/- each).
7. The accounts of the subsidiary companies and joint venture have been consolidated in accordance with the Accounting Standards 21 'Consolidated Financial Statements' and Accounting Standard-27 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India.
8. The Company's main business is to provide finance for power sector. Accordingly, the company does not have more than one segment eligible for reporting in terms of Accounting Standard-17 issued by the Institute of Chartered Accountants of India.
9. Figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the third quarter of the relevant financial year.

For Rural Electrification Corporation Limited
Sd/-
(Rajeev Sharma)
Chairman & Managing Director
DIN-00973413

Place: New Delhi
Date: 23rd May, 2012

		(Audited)	(Audited)	(Audited)	(Audited)
A.	**EQUITY AND LIABILITIES**				
(1)	**Shareholders' Funds**				
	(a) Share Capital	98,746	98,746	98,746	98,746
	(b) Reserves and Surplus	13,75,746	11,80,116	13,81,842	11,83,998
	Sub-total - Shareholders' Funds	**14,74,492**	**12,78,862**	**14,80,588**	**12,82,744**
(2)	**Non-current Liabilities**				
	(a) Long-term Borrowings	76,55,368	61,17,302	76,55,368	61,17,302
	(b) Other Long-term Liabilities	2,619	-	2,650	29
	(c) Long-term Provisions	6,178	4,976	6,178	4,976
	Sub-total - Non-current Liabilities	**76,64,165**	**61,22,278**	**76,64,196**	**61,22,307**
(3)	**Current Liabilities**				
	(a) Short-term Borrowings	2,50,000	37,500	2,50,171	37,500
	(b) Trade Payables	-	-	423	387
	(c) Other current liabilities	14,50,237	11,62,558	14,51,714	11,64,027
	(d) Short-term Provisions	33,965	50,069	33,968	50,075
	Sub-total - Current Liabilities	**17,34,202**	**12,50,127**	**17,36,276**	**12,51,989**
	Total - EQUITY AND LIABILITIES	**1,08,72,859**	**86,51,267**	**1,08,81,060**	**86,57,040**
B.	**ASSETS**				
(1)	**Non-current Assets**				
	(a) Fixed assets				
	(i) Tangible Assets	6,824	6,217	6,860	6,249
	(ii) Intangible Assets	222	308	224	309
	(iii) Capital work-in-progress	792	301	792	301
	(iv) Intangible Assets under Development	10	-	10	-
		7,848	6,826	7,886	6,859
	(b) Non-current Investments	71,043	78,965	68,532	78,955
	(c) Deferred Tax Assets (Net)	1,005	1,277	1,002	1,276
	(d) Foreign Currency Monetary Item Translation Difference Account	18,188	-	18,188	-
	(e) Long-term Loans & Advances	89,98,531	73,20,657	89,98,540	73,20,666
	(f) Other Non-current Assets	24,792	36,418	24,792	36,418
	Sub-total - Non-Current Assets	**91,21,407**	**74,44,143**	**91,18,940**	**74,44,174**
(2)	**Current Assets**				
	(a) Current Investments	4,716	4,716	4,726	4,716
	(b) Trade Receivables	-	-	3,801	1,810
	(c) Cash & Cash Equivalents	5,31,148	2,83,189	5,37,536	2,86,679
	(d) Short-term Loans & Advances	2,96,750	1,20,000	2,96,750	1,20,000
	(e) Other Current Assets	9,18,838	7,99,219	9,19,307	7,99,661
	Sub-total - Current Assets	**17,51,452**	**12,07,124**	**17,62,120**	**12,12,866**
	Total - ASSETS	**1,08,72,859**	**86,51,267**	**1,08,81,060**	**86,57,040**

Note : As a part of Green Initiatives in the Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, vide its Circular Nos. 17/2011 and 18/2011, dated 21st and 29th April, 2011, has permitted service of documents through electronic mode also in addition to physical mode to the Shareholders. We therefore request the shareholders to send their Email IDs along with DP ID/ Client ID to cs.recl@karvy.com on or before 15th June, 2012 to enable your Company to serve notices/ documents/ Annual Report etc. for the Financial Year ended 31st March, 2012 through email.

Rural Electrification Corporation Limited
(A Government of India Enterprise)
Core-4, SCOPE Complex, 7 Lodhi Road, New Delhi-110 003,Tel. : 24365161 Fax: 24360644, E-mail: reccorp@recl.nic.in. Website: www.recindia.nic.in

LAST BUT NOT LEAST

EXECUTIVE HEALTH 117 CAREERS 124 PEOPLEBUSINESS 126

Improving Asset Quality

Companies selling breast implants are getting a boost as more and more Indian women opt for breast augmentation surgery, says **Sunny Sen**

PHOTOGRAPHS BY ADITYA KAPOOR/www.indiatodayimages.com

"Awareness has increased and it has come down from the upper class to the middle class"

Dr Ajaya Kashyap
Plastic surgeon

She was tall, fair and pretty, and yet she did not feel attractive. Reason: she had small breasts. So, this 25-year-old girl from New Delhi, who cannot be named, decided to take the inorganic route to gain size. With the blessings of her parents, she opted for breast augmentation surgery, a procedure through which silicon pads are inserted between the ribcage and the mammary glands to enhance the size of a woman's breasts. The family approached Dr Rashmi Taneja, Senior Consultant Plastic and Cosmetic surgeon at the Fortis Hospital in Vasant Kunj, New Delhi. After consultations, it was decided to enhance the girl's cup size from 32AA to 32C. (Breast sizes range from AA, considered small, to C, considered well endowed, to D, E, F and beyond.) The family paid ₹1.25 lakh for the procedure. The surgery was a success and everyone was the happier for it.

It may have received some bad press of late following reports of serious defects in implants made by a French company, but breast augmentation is a booming business in India. In fact, breast surgery is the third most common aesthetic surgery procedure in the country today after rhinoplasty (nose jobs) and lipoplasty (fat removal). According to the International Society of Aesthetic Plastic Surgery (ISAPS), there were 51,000 breast augmentations in India in 2010, ranking it seventh in the world. Those procedures are estimated to have raked in ₹600 crore to ₹700 crore. In addition, there is a slightly smaller market for breast-lift and breast-reduction procedures, which saw a total of 44,660 surgeries in 2010.

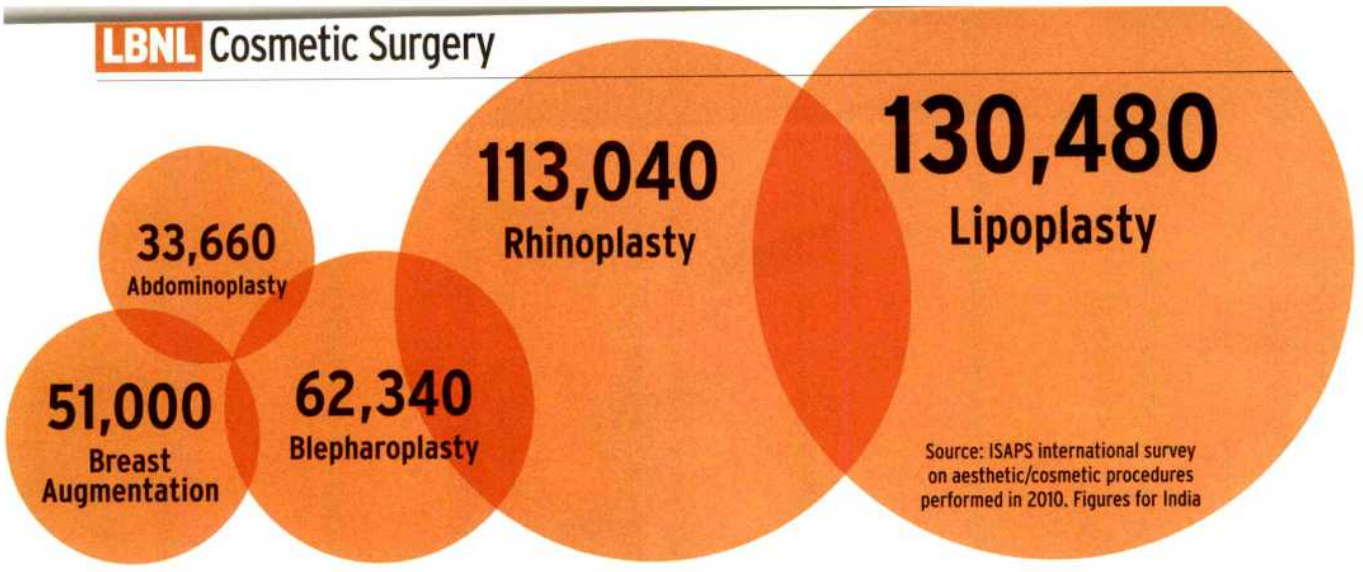
Still, India is some distance away from countries such as the United States, which saw 336,648 augmentations in 2010, and Brazil, which had 254,214. Dr Ajaya Kashyap, a plastic surgeon at Nova Specialty Surgery in Kailash Colony, New Delhi, says that when he was in the US, he performed about six such procedures in a week. It takes him two months to do as many in India. But the numbers are improving and he believes the potential here is huge. "Awareness has increased and it has come down from the upper class to the middle class," says Dr Kashyap.

Women who end up on the surgeon's table have different reasons for being there. One of Dr Kashyap's patients, a 22-year-old girl, did it to please her fiancée, though she chose not to marry him thereafter. Another surgeon says a mother got her 20-year-old daughter, a classical dancer, to go under the knife as she did not look attractive on stage with small breasts. "A woman's body is meant to be beautiful, even if it needs a couple of slits and stitches," says one woman who has opted to go in for the procedure.

The surgery itself takes just a couple of hours and the patient can get back to her routine in four days.

Implants cost anywhere between ₹40,000 and ₹50,000, and the cost of surgery (including implants) ranges from ₹1 lakh to ₹1.3 lakh, depending on where it is done. Private clinics charge about 20 to 30 per cent less than large hospital chains.

While it is not uncommon for women in the West to opt for oversized breasts, Indian women prefer modest enhancements. "They want to look natural, and not very busty," says Dr Charu Sharma, a Delhi-



BREAST AUGMENTATION IS THE FOURTH MOST SOUGHT AFTER AESTHETIC SURGERY IN INDIA

based cosmetic surgeon who runs a clinic called Gorzeous Looks. Sharma says only 10 per cent of her patients want sizes beyond proportion. A poor diet, driven by the desire to be slim, she adds, is one of the reasons some young women have small breasts. "Such dietary habits reduce the growth of breasts." Consequently, a growing number of women under the age of 30 are looking at augmentation.

A few go in for a breast lift when their bodies have gone through a change after pregnancy and breast feeding. Others opt for it when age makes their breasts sag.

Companies that never thought of India as a prospective business destination are beginning to recognise the opportunity here. Johnson & Johnson's Mentor began selling implants in India two years ago and has ramped up its sales team since then. France's EuroSilicone is another company that sells implants in India. Raghu Kumar, MD of Allergan India, says that while the company does not sell implants directly, it has a distribution channel.

Augmentation surgery has had its share of controversy, with the biggest criticism being that it heightened breast cancer risks. Over the years, various studies have tried to debunk this. In India, many doctors use US FDA (Food and Drug Administration) approved implants made by companies such as Mentor and Allergan. "The silicon gel has gone through many changes," says Dr Taneja. "The new gel is cohesive, and the chances of it bleeding are not there."

1,506,475 Number of breast augmentations globally, in 2010

7 India's ranking in such surgeries

₹120,00 Average price of the procedure

The industry's reputation took a hit after it emerged that French company Poly Implant Prothese (PIP) had been manufacturing defective implants. In December 2011, the French government advised 30,000 women to have implants made by PIP removed. It stated that the implants had an unusually high rupture rate and possibly contained industrial-grade silicon. Over the previous decade, hundreds of thousands of women around the world had been implanted with PIP's dodgy product.

In 1998, Dow Corning agreed to pay $3.2 billion to settle claims by more than 170,000 women that its implants had harmed their health.

Apart from implant quality, the surgeon's skill is also important. One woman made headlines in the US after claiming that a botched operation left her breasts joined together, leaving her with one large breast. Another botched surgery left Hollywood actress Tara Reid with a deformed nipple.

All else being normal, if it is done right and there are no defects in the implants, a woman can lead a normal life with augmented breasts – she can have babies and even breast feed. Assuming, that is, that she needed to have such a procedure in the first place. ◆

Send your comments to editor.bt@intoday.com

Thin Is In

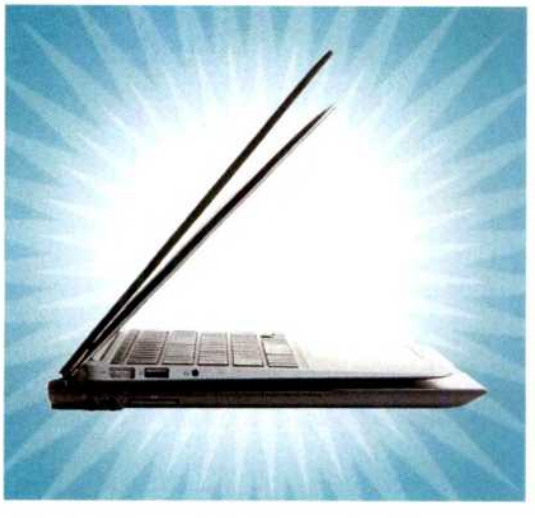
How the ultrabook measures up against the traditional laptop and the tablet

They are getting thinner and thinner, and lighter and lighter. The Toshiba Portégé Z830, the thinnest and lightest of them all so far, is just 0.63 inches thick and weighs 1.12 kg. But thin does not mean low on power. Ultrabooks, as these size zero laptops are called, run on Intel's second generation Core processors. Soon there will be a new set of them running on Intel's still more powerful third generation Ivy Bridge processors.

The way ultrabooks have been marketed, however, their power is secondary: it is size that matters. Faced with declining laptop sales, Intel's idea was to provide a device which is as convenient to carry around as a tablet while being able to do much more, especially of the creative stuff. The look, the weight, the thickness were pivotal to take on the tablet. A laptop weighing over two kg just would not work. It had to be less than 0.8 inches thick and weigh under 1.5 kg.

But then how is the ultrabook any different from Apple's MacBook Air, launched in 2008? The Air too is ultra-thin and feather light, and can still do a lot of heavy duty stuff. There is also Sony's X series of laptops started soon after, the lightest of which weighs 655 grams and is a little over half an inch thick. Both these devices, like the ultrabooks, also run on Intel processors. So ultrabooks are really not all that different, and Intel's idea seems to have been to inspire companies apart from Apple and Sony to move in the same direction, using the ultrabook label to push sales.

So is the ultrabook just a gimmick? Had the Intel standard as to what constitutes an ultrabook been limited to specifying only its size, making it an overpriced netbook, it would have been. But Intel has set other norms as well relating to price, extended battery life, better security features and more (see *www.businesstoday.in/ultrabooks* for the specifications), all aimed at improving user experience. The Air – which looks slimmer than the slimmest ultrabook – may still tick most of the boxes, but netbooks and Sony's X series hardly match up.



Thus ultrabooks are a viable option for those who do not want to take the Mac plunge. Intel has given the industry a standard for sleek Windows-based devices. If you are tired of dragging around a heavy laptop, the ultrabook is just the device for you. Let there be no doubt: the portability is what you are paying (extra) for.

Much of the extra weight comes from stuff you will never use. Most of us may not be able to remember the last time we ran a DVD on our notebooks. So why not do away with the optical drive and lighten the device by around 300 grams? That is what the ultrabook does. It also shifts from a hard disk drive to the solid state drives which cuts another few hundred grams. You do not really need that 500 GB hard drive in a laptop.

Manufacturers have, however, found it tough to stick to Intel's $1,000 price tag for ultrabooks. So prices are now all over the place – the upper end close to $3,000. Those who have stuck to the price have had to make compromises elsewhere.

HP, meanwhile, has found a simple way around this predicament: it has dropped the Intel tag. The $699 HP sleekbook sticks to the ultrabook spec sheet, except that it does not have an Intel processor and will run on the 'cheaper' Advanced Micro Devices (AMD) chips. It is like saying: "Thanks for the idea, but we will do it without you." Tech gurus are already looking for a new term for these non-Intel devices. Whatever the name, this new category will hold promise. ◆

Subscribe to Business Today
Clinch the smartest deal in seconds!

THE INDIA TODAY GROUP

FREE
with 2 years Subscription: Business Today Gift Set worth ₹650/-

business today
FOR MANAGING TOMORROW

Term	No. of Issues	You Pay (₹)	You Get
2 Years	52	1560	Business Today Gift Set worth ₹650/- Best Buy
1 Year	26	~~780~~ 695	11% Discount on the Cover Price

Please fill in the form and send it back to us in the address mentioned below

Business Today Subscription Form

Send form with payment to LIVING MEDIA INDIA LTD., A-61, Sector 57, NOIDA-201301 (U.P.)

Yes! I would like to subscribe for:

☐ 2 Years (52 Issues) : Pay ₹ 1560/- Get Business Today Gift Set worth ₹ 650/- Best Buy

☐ 1 Year (26 Issues) : Pay ₹ ~~780/-~~ ₹ 695/- Get 11% Discount on the Cover Price

Name..... Address.....

.....City.....

Postal Code.....Tel./Mobile.....E-mail.....

Payment Details:

☐ Charge my Credit Card ☐ VISA ☐ ☐

Card No.....

Expiry.....Signature.....

Payment Enclosed: ☐ Cheque ☐ DD No.....(in favour of Living Media India Limited. For non-Delhi cheques, please add ₹ 50/-)

Subscription Terms & Conditions: This authorises us to communicate about our products & promotions through mail/phone/printed material/email etc. This authorisation is irrespective of my instructions elsewhere of not to be contacted or informed over phone/email/mail etc. Cover Price of BT is ₹ 30. Special Rates and offer valid in India only for a limited period. Allow 3-4 weeks for processing of subscription. Your free gifts will reach you in about 6 weeks of commencement of your subscription. Add Rs. 50/- for non-Delhi cheques. Superscribe your name and address on the reverse of the cheque/DD. All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only. Business Today can revise this offer any time at its discretion without any prior intimation. Subscription can not be cancelled once the free gifts are dispatched. Terms & conditions apply.

Soothing the Angry Employee

It pays for companies to invest in programmes that address emotional issues among staff, says Manasi Mithel

SANTOSH

Two years ago, a senior manager at a network services company in Bangalore was making a presentation before a group of colleagues, including his boss and some senior executives. He was not on the best of terms with his boss. Around 10 minutes into the presentation, he made a pitch for additional manpower for some projects he was handling. To everybody else's shock, soon as his boss responded, the manager picked up a chair, flung it aside and walked out of the room. What on earth possessed him? "My boss said what I was saying was all nonsense," he replies.

Today he would not dream of reacting so violently. A company-sponsored two-day conversation and communication programme he underwent has changed him. "It helped me understand how to communicate in situations where the stakes are high and there is great scope for conflict," he says, insisting he stay off the record. He admits to having a dominating personality, which hates to be contradicted. But now he is able to leave chairs where they are and express his views and feelings, however strong, using words alone.

This is just one instance of how companies have been helping employees address emotional intelligence-related issues, including excessive anger, by organising workshops and programmes. Those participating are provided assessments of their personalities, face-to-face interactions with experts and one-on-one coaching.

Bhaskar Bhattacharya, an Executive Director with marketing research company Nielsen, also acknowledges that similar training helped him. Around 12 years ago, as Vice President of Learning and Development with the same organisation, he was working with a client to roll out a training project. The stakes were high and there was immense pressure to get it right. To Bhattacharya's irritation, however, a senior executive kept changing the goalposts fixed after multiple meetings. "The first few times, I couldn't figure out what was happening and I was angry," he says. "But my training helped and I worked things out with the executive concerned."

Many companies agree inappropriate employee behaviour can be a problem. It lowers productivity, raises attrition rates, and creates an unhappy workforce. "We have not had a case where we had to seek clinical intervention, but communicating with respect is a behavioural competency which was found wanting in many executives," says Capt. Charanjit Lehal, Assistant General Manager of Training and Development at direct broadcast satellite TV provider, Tata Sky.

The cost of the programmes that address behavioural problems at

WARNING SIGNS

Employees repeatedly displaying the traits noted above need help

ON SALE NOW!

HBRSASIA.ORG

SOUTH ASIA

Harvard Business Review

JUNE 2012

94 The HBR Interview

CEO Paul Polman on Unilever's Bold Gamble

102 Global Business

Reality Check at the Bottom of the Pyramid

Erik Simanis

36 Performance Management

Mitigating Strategic Risk

Robert S. Kaplan and Anette Mikes

PAGE 50

THE BIG SHIFT

How Managers Become Leaders

By Michael D. Watkins

India	Rs	750
Bangladesh	Taka	1,250
Bhutan	Ng	775
Myanmar	K	110
Nepal	N Rs	1,250
Sri Lanka	Rs	1,800

Grab Your COPY TODAY!

4 easy ways to subscribe

hbrcare@intoday.com | www.hbr.org | (0120) 2479945 | SMS HBRSA to 5242

work varies. "For a batch of 15 people, the total price we charge would be around ₹3.80 lakh," says Bina Sekhar, a Bangalore-based emotional intelligence consultant, currently working with four leading information technology companies. Other trainers charge instead by the day, anything between ₹25,000 and ₹70,000.

The specific issue of anger management is still to be addressed adequately by many Indian companies, feels Michael Fernandes, Head of Advisory Services at leading HR company, SHRM India. "A lot of the employee-centric programmes on interpersonal relationships and team-building can be very vague," he says. Such vagueness may well affect the programmes's efficacy. He also notes that Indian companies take these problems less seriously than multinational corporations (MNCs). "MNCs are very sensitive to behavioural norms within the workplace embedded over a long period of time," he says. "Indian organisations don't rate very high on such norms. This will take time for them."

With liberalisation, Indian companies have shifted from a culture of command and control leadership – where seniors took all decisions and were rarely questioned – to one of high employee engagement. Mindsets are changing, thanks to the mass media and other influences, often sparking anger, and increasing the need for anger management. The introduction of 360-degree feedback during appraisals, where employees are reviewed not only by seniors but also by those reporting to them, has increased instances of workplace anger.

Ambereen Pradhan, Director and Promoter of Mumbai-based Energia Wellbeing, which works with companies to improve workplace performance and behaviour, identifies work-life imbalance, performance pressure and long working hours as reasons for people's fuses being shorter than before. "The feedback we get has more remarks about employees being 'rude, blunt or harsh' in their interactions with one another than before," she says. "People are getting conditioned to expressing themselves angrily."

Symptoms of such anger (see *Warning Signs*) if left unchecked can lead to serious psychological and physiological problems like depression, bipolar disorders, high blood pressure, cardiac problems, gastroenteritis and diabetes. The company in turn also suffers (see *Negative Impact*).

Pradhan's firm is currently trying to help a senior executive with a 'passive-aggressive' personality: he is impulsive, easily provoked and hostile to suggestions. "Many of us can identify with these personality traits but it becomes a serious matter if such traits start multiplying," she says. The executive would lose his temper and self control so completely at work that people feared he was having a heart attack. He was asked by his boss to seek professional help or else quit. "HR heads are realising that this is not a one-off problem," Pradhan adds.

Anger has been linked to serotonin, a chemical in the brain. A study by Cambridge University researchers in 2011, published in *Journal of Biological Psychiatry*, showed how low serotonin levels make it difficult for the brain to control anger. Serotonin levels can fall when a person is stressed or has not been eating enough. There is need for healthy lifestyle habits as well to combat workplace anger. ◆

NEGATIVE IMPACT

How employees' behavioural problems affect business

INCREASED ABSENTEEISM

Britain loses 5-6 million working days annually

LOWER PRODUCTIVITY

The US loses 31 working days per month per 100 workers due to those with mental health issues repeatedly leaving work early

INCREASED COSTS

UK: £4-5 billion per year due to stress-related absenteeism

US: $30,000 per depressed worker per year

Source: Mental health policies and programmes in the workplace, WHO, 2005

NOBLE IMPRESSIONS LAST FOREVER.

Because noble deeds get etched on the heart and their impact is far reaching. Announcing Aaj Tak Care Awards, where we honour corporates who work selflessly to pen a brighter future for millions.

6th June, 2012.

Associate Sponsor: UNITED Group of Institutions, Allahabad - Greater Noida

Research Partner: IMRB

Magazine Partner: business today

Print Partner: MAIL TODAY News for the new world

AMRAPALI GROUP

PRESENTS

आज तक

CARE AWARDS

HONOURING EXCELLENCE IN **CSR**

Outdoor Partner | Radio Partner | Knowledge Partner | Beverage Partner

PIONEER | OYE! 104.8 FM SABSE FILMI | FICCI | BLACK DOG

Jazz Band Versus Orchestra

Indian companies too can draw lessons from these two books that celebrate frugal innovation

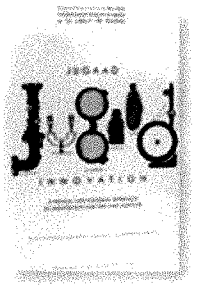
Have you ever wondered why there are not too many Indian multinational companies (MNCs)? Even the few that have acquired this status in recent years, companies within the Tata, Aditya Birla or Mahindra & Mahindra groups, have done so through global acquisitions. One major reason is that Indian companies do not have the wherewithal to develop products that appeal to the developed world.

Innovation has traditionally happened in the developed world and later flowed downhill to the emerging markets. This is not surprising, since rich customers in emerging market countries mostly seek 'modern' or 'latest' products, and can actually afford them. Developing nations, which are basically in the catch-up mode, end up importing these products. So MNCs mostly innovate in the United States, Europe or Japan and then employ the process known as 'glocalisation' – stripping down the products to suit the purses of customers in emerging markets. Indian companies have been busy fighting these products and are thus left with little time, money or opportunities to take on global players abroad.

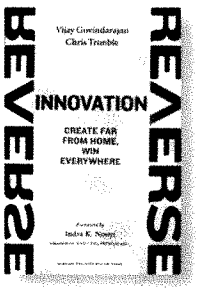
But that is changing, if the authors of two interesting books on innovation are to be believed. MNCs are increasingly seeing merit in innovating in emerging markets rather than just exporting products to them. They are doing so not just to capture market share in low-cost

Desi *jugaad*: A vehicle assembled with a water pump as its prime mover

developing economies but more importantly, to tap new, unexpected values long overlooked in developed markets. The traditional view that a rich man would never want a poor man's product is fast changing and has given birth to the concept of 'reverse innovation' – developing products for emerging markets and then taking them to developed countries where they are seen as a value proposition and wholeheartedly accepted. In other words, innovation now also flows uphill.



Jugaad Innovation: A Frugal and Flexible Approach to Innovation for the 21st Century
By Navi Radjou, Jaideep Prabhu & Simone Ahuja
Jossey-Bass
Pages: 317, Price: ₹499



Reverse Innovation: Create Far from Home, Win Everywhere
By Vijay Govindarajan & Chris Trimble
Harvard Business Review Press
Pages: 229
Price: ₹750

In their book *Reverse Innovation*, Vijay Govindarajan (currently ranked third in the Thinkers 50 list of the greatest management thinkers in the world) and Chris Trimble – both on the faculty at Tuck School of Business – say "ignoring reverse innovation can cost MNCs much more than just a lost opportunity." Their argument is simple: companies in countries like India and China know their markets very well and nothing prevents them from innovating in their home markets, taking the products to developed countries and pulling the rug from under the feet of MNCs. Changing dynamics of global innovation have levelled the playing field for companies in the emerging markets. "It (reverse innovation) can open the door for the so-called emerging giants, the rising generation of multinationals headquartered in the developing world, to inflict pain or severe damage in well-established home markets," they warn.

The book, which focuses on what MNCs should do to leverage reverse innovation, also holds valuable lessons for Indian corporate houses. Replete with examples and case studies, it helps readers understand what reverse innovation is, its benefits, and lists rules that should ideally guide the efforts towards employing it. The most interesting aspect are the eight case studies that detail how companies such as Logitech, Procter & Gamble, Deere & Company, GE and PepsiCo embraced reverse innovation, the challenges they faced in making it a part of their game plan and how they succeeded.

Jugaad Innovation by Navi Radjou, Jaideep Prabhu and Simone Ahuja explores the science and the art of improvised solutions, that are born out of the ingenuity of doing more with less – something that is commonly practised in emerging economies. The authors say MNCs can leverage it to achieve breakthrough growth strategies globally. In their view the costly, resource consuming structured approach to research and development has killed the *jugaad* spirit among American companies. "Money can't buy innovation," they point out.

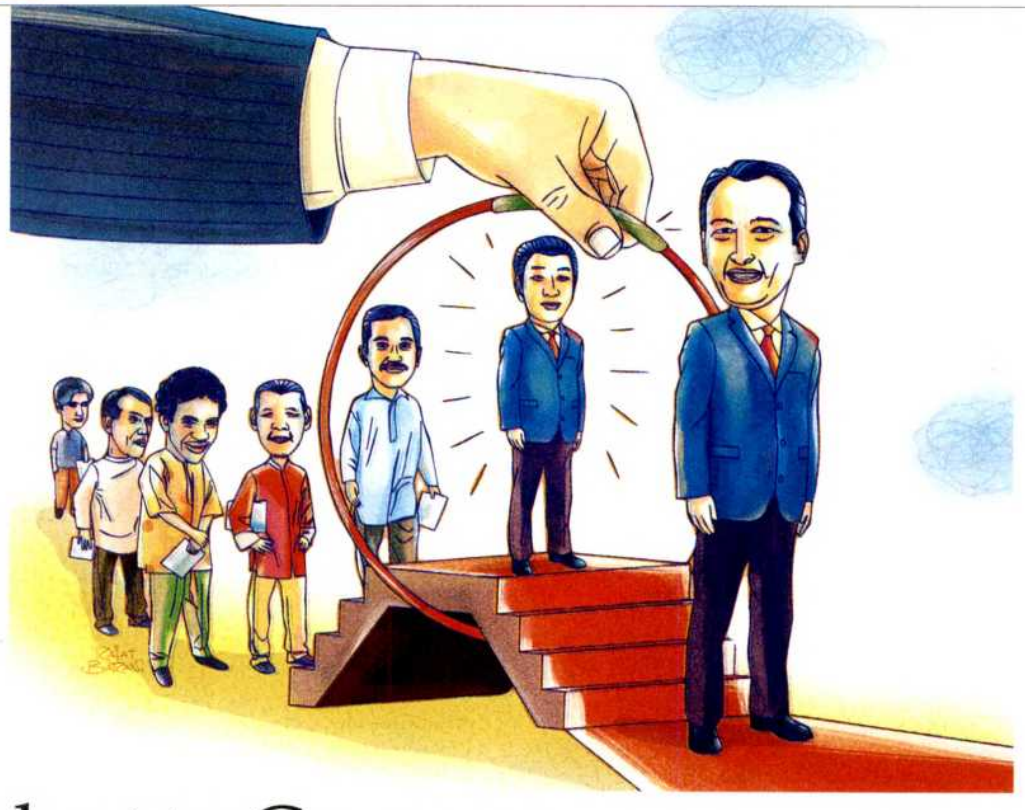
The book includes many success stories and lists six guiding principles of *jugaad*. "For too long the western model of innovation has been like an orchestra: top-down, rigid, and driven by upper level employees....it needs an alternative approach, one more akin to a jazz band: bottom-up, improvisational, fluid and collaborative," they say. *Jugaad*, they add, should not replace the structured approach but complement it. They also offer tips on how to integrate *jugaad* into the organisation, using GE as a case study.

With the focus on innovation shifting, the two books emphasise, desi companies have the best opportunity to leverage this change and turn into global corporations on the strength of their products. Will they? ◆

N. MADHAVAN

Reverse innovation begins not with inventing, but with forgetting. You must let go of what you've learned, what you have seen and what has brought you your greatest success. You must let go of the dominant logic that served you well in rich countries. If you want to use today's science and technology to address unmet needs in the developing world, then you must start with humility and curiosity. In fact, it's best to assume that you've just landed on Mars.

An Excerpt from Reverse Innovation: Create Far from Home, Win Everywhere



Adapt to Conquer

In a globalised business world, understanding other cultures is essential, says Manasi Mithel

Hamsanandhi Seshan, always studies her company's 'country navigator' on long-distance international flights. As Director, Communications, Global Delivery at IBM, she has to regularly interact with people of numerous nationalities and the navigator – a guide to the differences between cultures of different countries, available on IBM's intranet – is a great help. On a recent flight to Germany, for instance, she read up on German cultural traits, and analysed how they matched or differed from her own. "Germans are culturally more inclined to risk-taking and I share this trait with them," she says. "But I think in a very random manner, while they have a linear method of thinking."

Providing this navigator is one of many steps IBM has taken to sensitise its 425,000 employees to global cultures. There are in-house training programmes too. "We have set down nine dimensions based on which an individual can assess himself vis-a-vis other cultures. For instance, there are some cultures that are explicit and others more implicit in their ways of communicating. There are also task-oriented cultures as opposed to relationship-oriented cultures," says Anita Guha, Global Leadership Development Manager at IBM. Explicit cultures define every aspect of what needs to be done, implicit ones prefer not to spell out everything. Task-oriented ones prioritise tasks and goals; relationship-oriented ones do not. Guha clarifies that such classification is not intended to stereotype communities, but only to provide a general understanding. In every country, there are always individual exceptions.

Going Dutch

IBM's nine dimensions proved useful for Seshan recently in clinching a deal with a Dutch company. The negotiations took 18 months in all. "I came on board only four months before they were completed," she says. "I tried to understand why it was taking so long to close the deal." A major cultural difference Seshan noticed was the 'bottom up' decision-making process at the Dutch company: after the CEO made a decision, it was passed on to employees for their inputs. The company found a way to alter the decision if the employees wanted it that way. This was very different from the decision-making style of Indian firms. What won Seshan and her team the deal ultimately was their success in convincing the Dutch employees that there was a cultural fit between the two organisations.

Much of such training in companies today has its roots in a 1980 study by Dutch researcher Geert Hofstede called *Culture's Consequences: International Differences in Work-Related Values*. His work laid the foundation for what is now known as Hofstede's

five dimensions of national culture (see *Sizing Up Cultures*).

Unlike IBM, Coca-Cola takes the help of external agencies to teach how to adapt to different cultures. When Savio D'Souza, Talent Lead, Eurasia & Africa Group, was posted in Turkey, for instance, his wife and he had to attend a two-day session where a Turkish national was brought in to brief them. Similar training made all the difference for D'Souza when, on a day's visit to Nairobi, Kenya, he attended a 'people-manager' meet. "My training had taught me I needed to be expressive and animated while dealing with African people, unlike Russians or Ukrainians with whom I'd be more logic-centred," he says.

For Accenture employee Rebecca Schmitt, who moved to India from the United States two years ago, the in-house training programme proved crucial in helping her understand the importance of relationships in this country. "Indians are very interested in your personal and professional life. My training helped me prepare for this," she says. The programmes at Accenture are based on an 'Accenture Culture Index' which takes factors like behaviour and work environment in different cultures into account.

But ultimately, actual exposure to people from different countries teaches more than training sessions. For N. Radhakrishnan, Industry Consultant, Global Business Services, IBM, it was the multicultural environment within IBM that helped him understand different cultures. Around six months ago, he was trying hard to bag a customer relations management contract from a Dutch client. When a team from the company visited Hyderabad, he invited the members to a waterfront restaurant for dinner. "The client had four vendors to choose from, including us. We were the third one they were meeting," says Radhakrishnan. So, did he win the deal? He did. The waterfront dining did the trick. He had known beforehand that the Dutch enjoy waterfront views, which reminds them of their home country. ◆

SIZING UP CULTURES

Geert Hofstede's five dimensions

POWER DISTANCE:
How a culture values authority

UNCERTAINTY AVOIDANCE:
Its tolerance of uncertainty

INDIVIDUALISM/COLLECTIVISM:
Relative extent to which it values either trait

MASCULINITY/FEMININITY:
Extent to which it values either traits

LONG-TERM/ SHORT-TERM ORIENTATION:
Emphasis it attaches to the future versus the present

Here Comes the Son

Karti P. Chidambaram
Member, AICC

He has no regrets about not having pursued a legal career like his parents, despite his law degree. "Reading legal briefs, for me, is like writing an exam. I was more than happy to write my last exam on June 7, 1995 with which I finished my law course," says **KARTI P. CHIDAMBARAM**, the son of Union Home Minister P. Chidambaram and Nalini Chidambaram, both of whom are noted lawyers. Papa Chidambaram still returns to the courtroom to argue high profile cases when he is not part of the government. Karti admits his parents were keen he follow them. "But I knew from the beginning I neither had the temperament nor the patience to be a good lawyer," he says. Instead, he is into both politics and business, a member of All India Congress Committee (AICC), who recently made headlines for having allegedly benefited from the 2006 deal in which telecom company Maxis bought a controlling share in phone firm Aircel. Both father and son have emphatically denied any wrongdoing.

This is not the first time, however, that Karti has been in the news for the wrong reasons. The March 2011 WikiLeaks cables had an American diplomat naming him among the politicians involved in the 'cash-for-votes' scandal of 2008. His many detractors in the faction-ridden state Congress unit in Tamil Nadu call him abrasive, and a businessman who dabbles in politics as a pastime. "No one can be a full-time politician," says Karti. "My businesses are modest enough to support my family. I have no greater business ambition."

Unlike his father, who weighs his words very carefully, Karti is outspoken. "People expect you to take a stand and speak your mind," he says. "I admire (current Tamil Nadu Chief Minister) Jayalalithaa and (former CM) Karunanidhi for this. You may not agree with their views but they are never wishy-washy."

He always wanted to enter politics, but in school he had another aspiration as well: to be a professional tennis player. Indeed, he was once a junior ranked player and played in international tournaments. "I played to my potential but it was not enough for me to become a full-time professional," he says. But he remains involved with tennis and tries to help talented youngsters achieve what he could not. "My aim is to produce three tennis players in the men's circuit who will be in the top 100 ATP ranking at the same time," he adds.

Political ambitions remain, but will he achieve them? The Congress party in Tamil Nadu, a state whose politics is dominated by the DMK and the AIADMK, is a disaster. "Regional parties provide 'doorstep' leadership, which is quick decision-making, taking into account local sentiments, while Congress practises mountain top leadership, which is quite the opposite," he says. "There is support for Congress in the state but the organisation is not capable of taking advantage of it."

N. MADHAVAN

Dilip Shanghvi
Founder/MD, Sun Pharma

SOUMIK KAR/www.indiatodayimages.com

New Dawn

When **DILIP S. SHANGHVI** founded Sun Pharma, its first-year turnover was a mere ₹10 lakh. Thirty years later, it is a $1.6 billion (₹8,006 crore) company, with 60 per cent of its revenues from overseas. Now, the pharma giant has announced a major change at the top. Shanghvi, 56, has stepped down as board Chairman in favour of Israel Makov, the former president and CEO of the $21 billion global generics major Teva Pharmaceutical Industries of Israel. So, what was the trigger for the move? "Since the scale has become very large, the cost of making mistakes will also be very large," Shanghvi told *BT*. "At such a time, if you have somebody with the requisite experience and a record of managing successfully, the ability to execute improves and the risk of failure reduces." He feels that Sun will benefit from Makov's experience as it continues to rapidly expand its presence worldwide. Makov, who led Teva between 2002 and 2007, is credited with much of its success.

E. KUMAR SHARMA

Franz Heukamp
Secretary General/Professor, IESE Business School

C.B. Bhave
Former Chairman, SEBI

Urban Regulations, Next

During his three years at the helm of market regulator SEBI, **C.B. BHAVE** repeatedly took up cudgels on behalf of retail investors. Now, he will focus on improving the quality of city life. As the Executive Chairperson of the Indian Institute for Human Settlements (IIHS), Bhave will train urban planners and policymakers. "Though he is neither an educationist nor an urbanist, Bhave has immense experience in building institutions," says IIHS Director Aromar Revi. IIHS, funded by the likes of Nandan Nilekani, is part of the National University for Research and Innovation focusing on urban planning. Bhave, who was unavailable for comment as he was overseas, will shift from Pune to Bangalore, where the IIHS campus is located.

G. SEETHARAMAN

Teaching How to Think

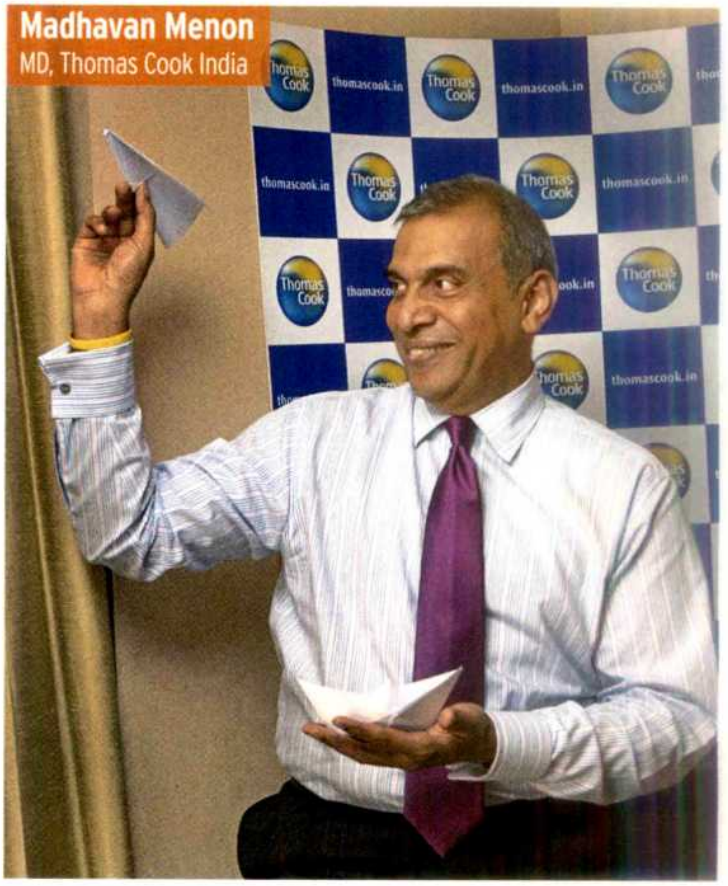
An engineer by training, FRANZ HEUKAMP chose, however, to devote himself to teaching. The Secretary General of the noted IESE Business School in Barcelona, Spain, who is also a professor of Managerial Decision Sciences there, was in India recently. "Businesses depend on good decisions, but you will be surprised how many CEOs struggle to comprehend the many aspects they need to factor into these decisions," he says. Many business decisions are driven by emotion and are not based on facts alone. Thus it is important to teach young executives a structured process of thinking. "There are many tools that teach you how to do that. It starts by anchoring yourself to the core reality of an issue." Sage thinking that.

SHAMNI PANDE

Tough Transition

He is known for managing transitions well. "I am not sure that this is always a good reputation to have," says **MADHAVAN MENON**, Managing Director of Thomas Cook India Ltd (TCIL). With Fairfax Financial Holdings Ltd, a Canadian financial services holding firm, having bought a majority stake in TCIL, these are times of change for him indeed. The times are not all that good for Thomas Cook UK, either: it is currently in the red. Menon feels that Fairfax's track record of not selling any company in which it has a controlling stake means it is in for the long haul at TCIL. "In a dynamic and changing environment, it is essential to continuously review the needs of each business," says Menon, discussing his challenges. Menon loves to travel and enjoys football. His son and he recently visited Munich, Germany, to watch the European Champions League final between German football giant Bayern Munich and London club Chelsea, which the latter won. ◆

ANAND J.



Madhavan Menon
MD, Thomas Cook India

BADRI NARAYAN

SANJEEV MOHANTY

MD, Benetton India

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Nelson Mandela

The business leader I admire the most
Many

The leadership lesson I remember the best
Invest in people first

A book I would recommend on leadership
***Good to Great* by Jim Collins**

The difference between a manager and a leader
Leaders simplify the most complex goals, inspire highly talented teams, create ownership and have clarity of vision

All good managers are good leaders
No

As told to Vivan Mehra

airtel business

top line, bottom line. now, add a smile line.

To raise your organization's smile quotient, email us at business@in.airtel.com or visit us at www.airtel.in/business

PO 2012
JU KOREA
expo2012.kr

HYUNDAI

MEET THE SEDAN THAT'S RECEIVED A STANDING OVATION IN FIFTY COUNTRIES.

Introducing the globally acclaimed all new Sonata.

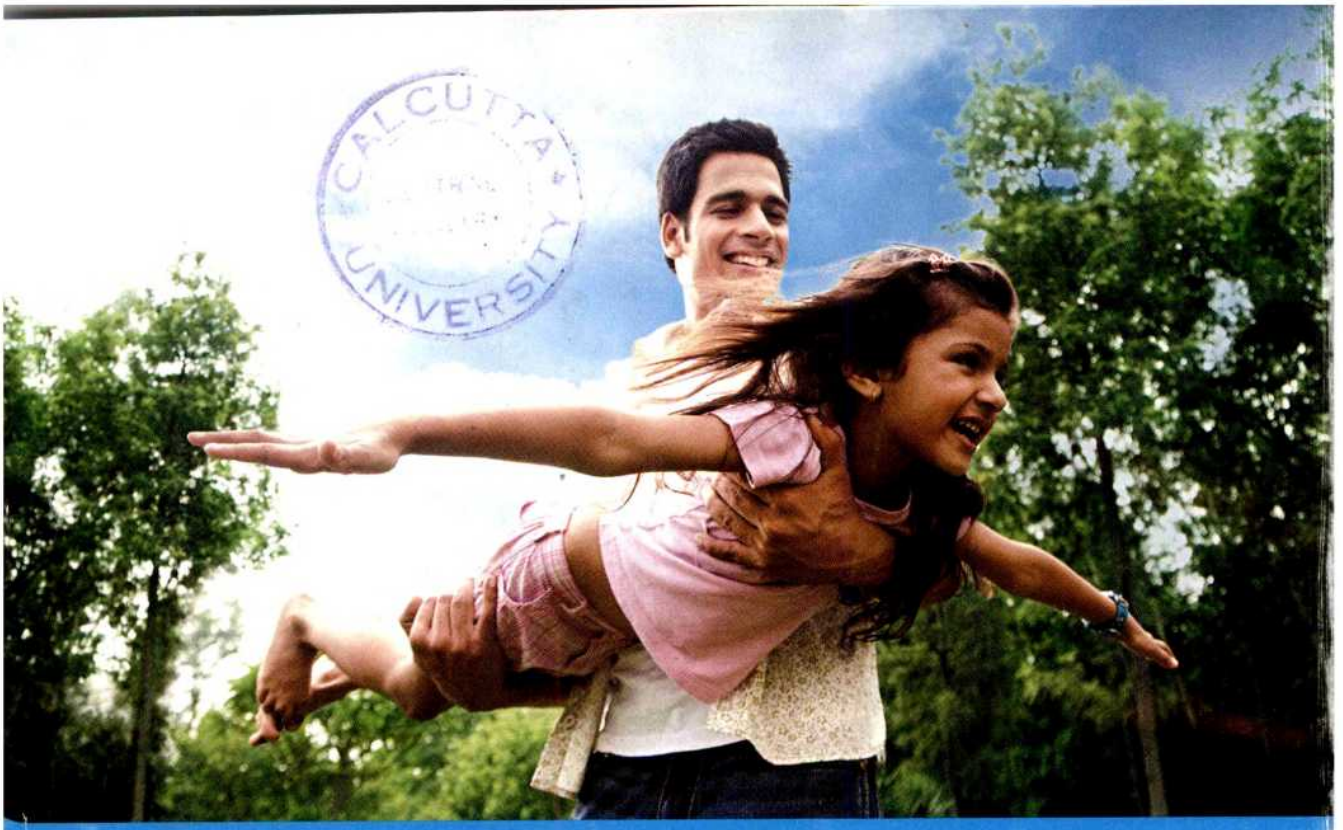
The Sonata has been designed for the discerning driver and boasts of unprecedented performance, unmatched features and inimitable style. From its orchid inspired strokes to its powerful 2.4L GDi engine that delivers a mighty 201 PS of power, this car is a work of art in its own right.

THE ALL NEW
SONATA
ADMIRED GLOBALLY

2.4L GDi ENGINE
The 2.4L Gasoline Direct Injection (GDi) engine is the most powerful and

SAFETY PACKAGE
An ideal combination of active and passive safety features like ESP, traction

PADDLE SHIFTERS AND CRUISE CONTROL
Paddle Shifters offer lightning fast gear shifts



Now, the all-perks no-compromise frequent flyer credit card.

Powered by Citi.

Presenting the Citibank PremierMiles Credit Card – a first-of-its-kind card that offers you all the benefits of a frequent flyer card, without the limitations. Why be bound to only one airline? Why be a victim of black-out dates? Why redeem your miles a whole 48 hours before take-off? With Citibank PremierMiles, you now have the flexibility to redeem miles at the last minute, fly the airline of your choice, and of course, fly more.

Citibank PremierMiles Credit Card

- Redeem miles across over 100 international airlines
- Redeem miles across all domestic airlines
- Redeem miles up to 3 hours before take-off
- Earn up to 10 miles for every ₹ 100 spent
- Mile redemption not subject to airline quotas
- Never-expiring miles

Apply now & get 10,000 bonus miles*

SMS MILES to 52484 or call 1800 22 2484
Visit www.premiermiles.co.in

200 YEARS citi

citiban

Citi and Arc Design are registered service marks of Citigroup Inc. Terms & Conditions apply. Please visit www.citibank.com/india for details. *The miles will be credited post your first transaction of ₹ 1000 within 60 days of card booking. Limited period offer. Apply before 30th September, 2012 and get 10,000 bonus miles as a welcome benefit.

Publicis Ambience/CITI/1